

# **EXHIBIT 7**

**FILED UNDER SEAL**

# Project Impact

Diligence Summary  
July 2018



**BainCapital**

# Project Impact

# Investment Thesis

## Structurally Attractive Markets with Growth Tailwinds

- **Internet-protected markets** given niche focus, customer service model & high customization needs
- Highly **fragmented customer base** with complex ecosystem of hard-to-serve purchase decision makers
- Attractive **growing end markets** due to enrollment, sports participation and spend growth
- Relative **cycle resiliency** given non-deferrable nature of the events and products

## Market Leader With Strong Fundamentals

- **#1 or #2 player** in all major categories with **significant RMS** across BSN & Spirit (~70%+ of EBITDA)
- **One-of-a-kind platform** with proven track record as a **share consolidator with significant runway**
- **Diversified business mix** across customers and products allowing for stable, predictable performance
- Massive customer fragmentation with **sticky, local sales rep relationships** (95%+ retention)

## Multiple Growth Opportunities

- Significant **runway** to continue to grow core by growing rep base and improving rep productivity
- Ability to **innovate and drive above market growth** given scale and differentiated products
- Opportunity to continue to unlock value from unique **cross-platform offerings** (IMPACT)
- Ability to accelerate **digital sales and grow share of wallet** through My Team Shop & B2C offerings

## Significant Cost Savings Opportunity

- Opportunity to drive significant cost savings through **sourcing, operational efficiencies and IT**
- **Sourcing savings** driven by **consolidating spend across vendors**, implementing **competitive bidding** processes and **normalizing decorator pricing** across suppliers
- **Operational efficiencies and IT savings** to be driven in Herff Jones by implementing better labor productivity techniques, consolidating sites, reducing complexity and improving order entry

## Attractive Financial Profile with Strong Recent Momentum

- Proven **long-term track record of consistent growth** and resilience during the recession
- Strong **free cash flow generation** given asset light model and extensive earnings visibility
- Strong recent momentum with LTM 6/30/18E PF Adjusted EBITDA of \$310M driven by **outperformance across divisions and PF impact of acquisitions / cost savings**



**Great business with strong fundamentals**



**Significant growth potential...**



**...and cost oppy**

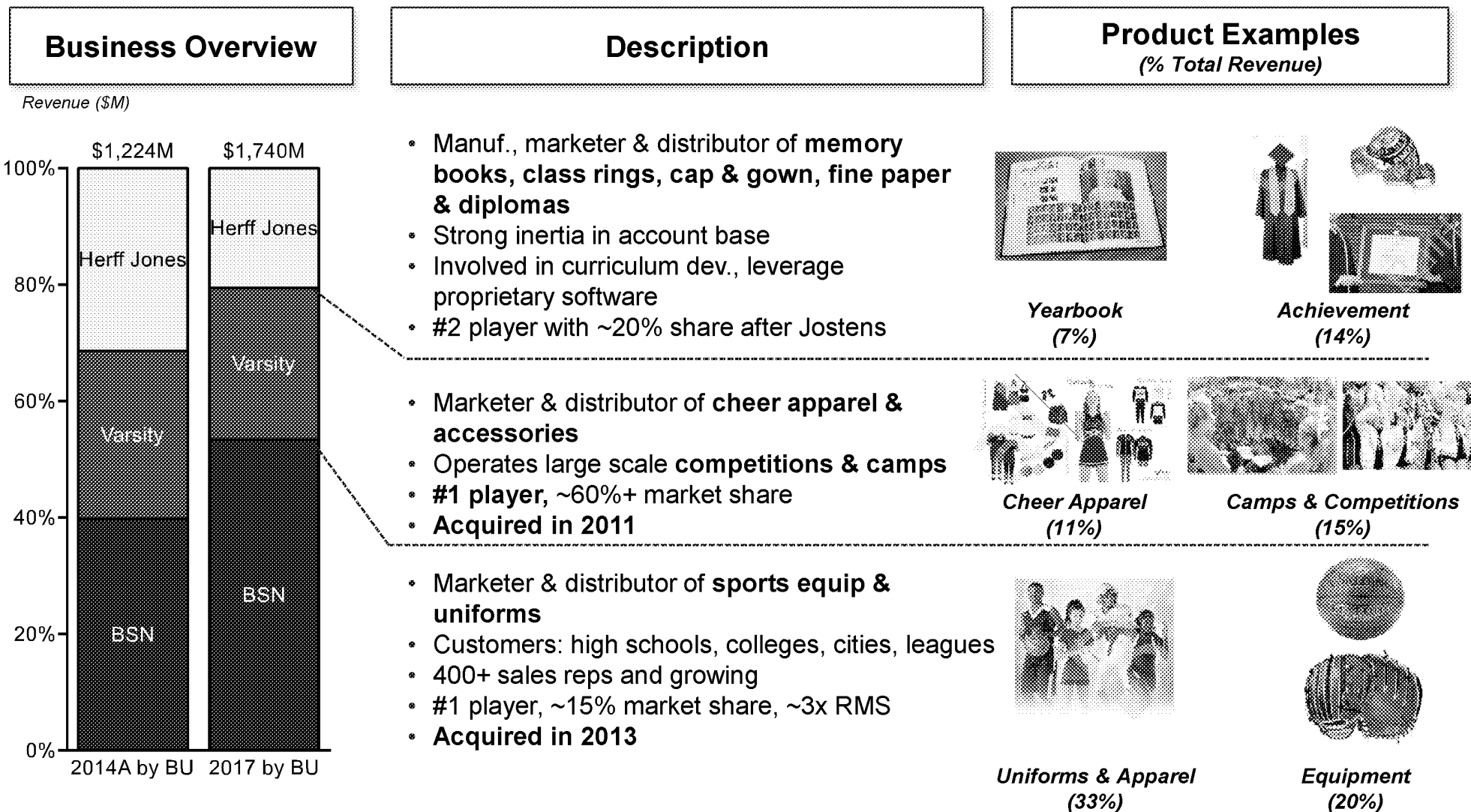


**Attractive financial profile**

## Project Impact

## Business Overview

Varsity is a portfolio of 3 distinct but complementary direct sales school/team businesses



## Project Impact

## Management Team

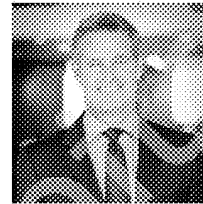
**Strong management team and CEO provide us with conviction in continued growth and ability to execute on value creation opportunities**

### Management Team



**Adam Blumenfeld, CEO**

- Previously CEO of BSN
- Promoted to CEO in 2017
- Father founded BSN
- Strong CEO and highly motivated to grow the biz



**Jeff Drees, Pres of Herff Jones**

- Previously Pres of Flowserve and Pres of Schneider Electric



**Terry Babilla, Pres of BSN**

- Previously COO of BSN
- Good long-term relationship with CEO



**Rick Paschal, CFO**

- Previously SVP/CFO and COO of Coach Intl
- Historically CFO/VP of Godiva and Nestle Ice Cream



**Bill Seely, Pres of Varsity Spirit**

- Previously EVP of Varsity Spirit
- Promoted to President in 2017 after founder stepped down

## Project Impact

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## Agenda

**Core Business**

**Growth Levers**

**Cost Opportunity**

**Financial Profile**

## Project Impact

## Great Business: Market Tailwinds

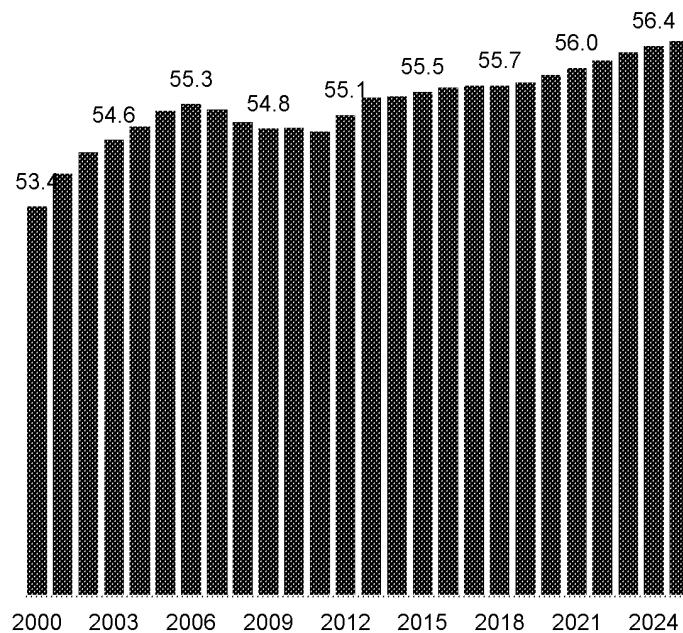
Varsity competes in growing markets supported by strong tailwinds

### Student Enrollment

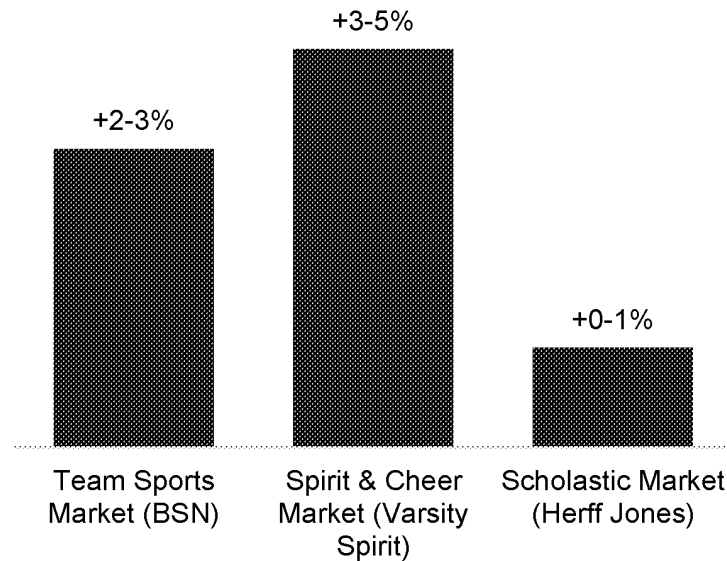
### End Market Growth

### Key Growth Drivers

(Millions)



### Annual Growth



- Growing student enrollment
- Strong sports & cheerleading participation
- Spend growth

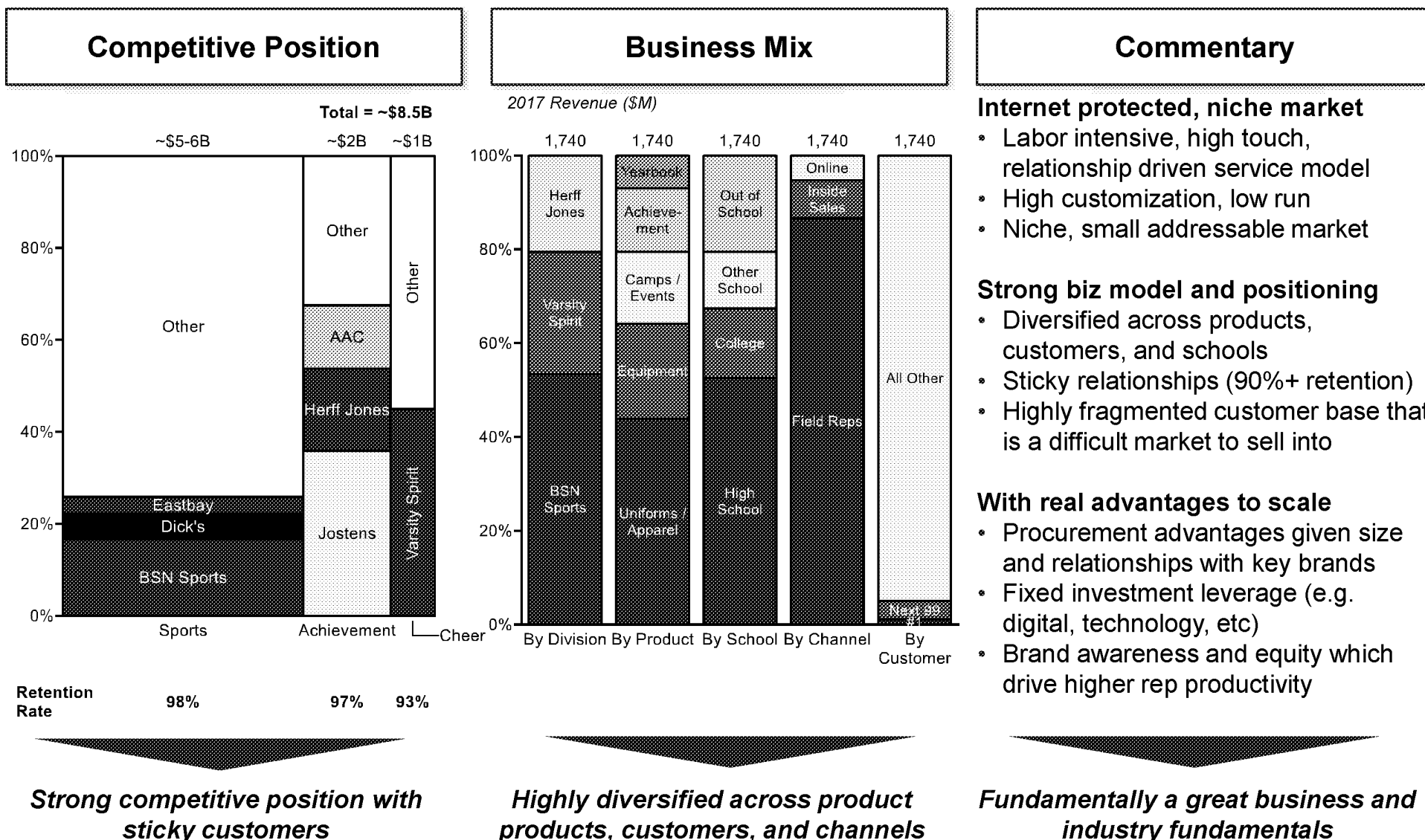
*Rising student enrollment...*

*...supports stable growth across different divisions*

## Project Impact

## Great Business: Competitive Moat

Varsity is the clear market leader in a highly fragmented school ecosystem where scale matters



Note: Market map is approximate, and based on 2017 financials

Note: assumes Spirit, Herff Jones are 100% field sales rep-derived. Applies school split within Spirit apparel to allocate non-apparel, non-All-Star Spirit revenues. Assumes Non-HS / College is ~9% of HJ (25% of YB). Footwear included in apparel  
Source: CIM, Management Presentation, BCP analysis

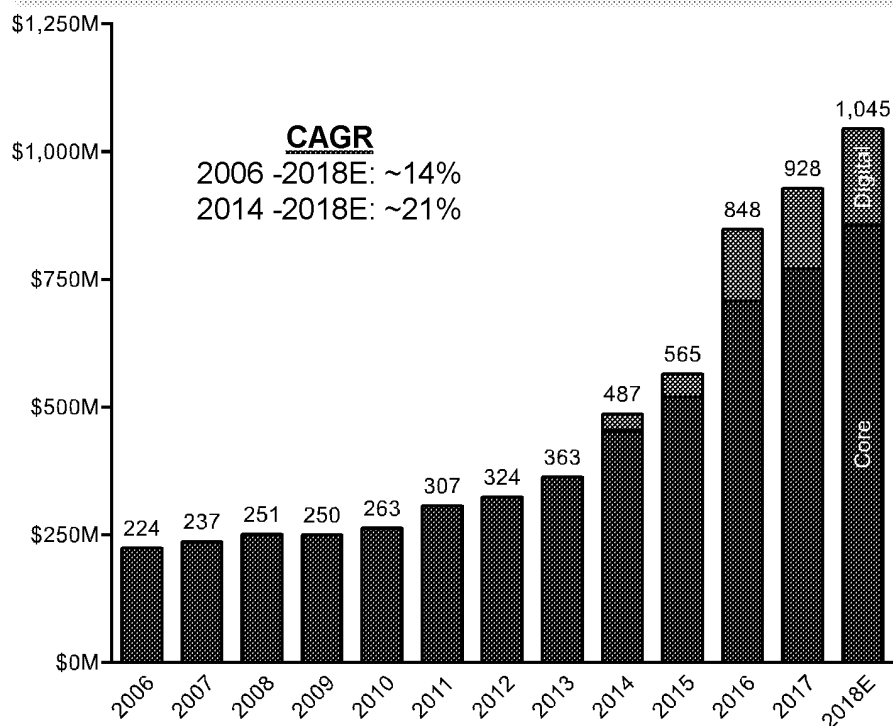


## Project Impact

## Great Business: Long Term Growth Track Record

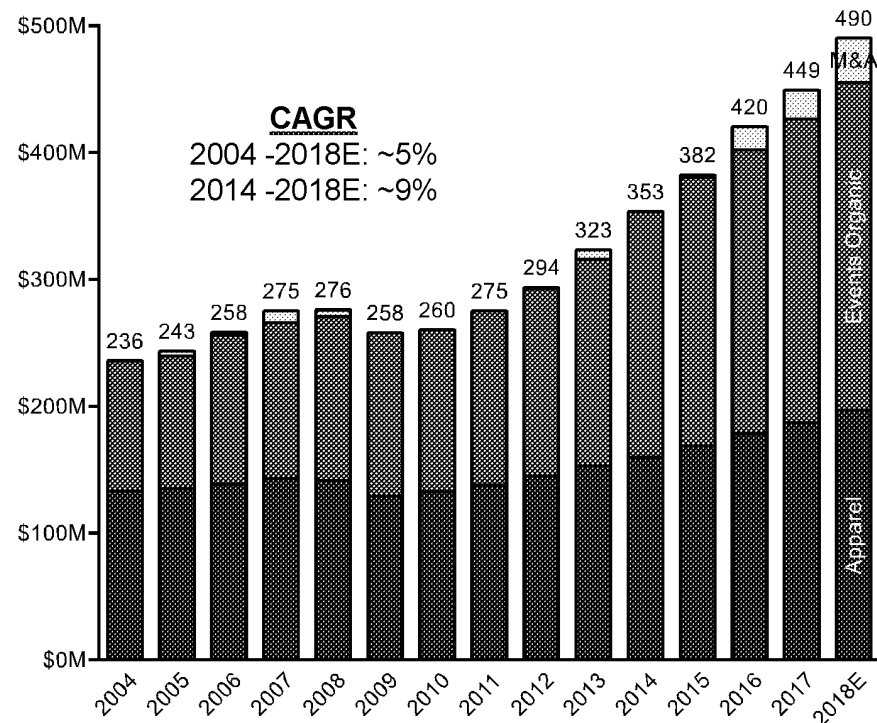
BSN and Varsity have demonstrated a long track record of consistent growth

**BSN Revenue by Segment**



**Strong LT history of organic growth driven by share gain, school sports industry growth and more recently digital penetration**

**Varsity Spirit Revenue by Segment**



**Despite being the market leader, Varsity continuously finds way to innovate with new formats (e.g. Nat'ls, Game Day, All Star)**

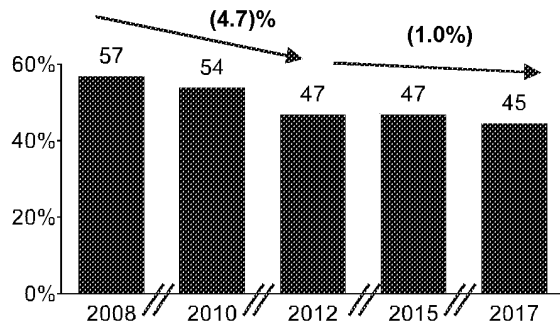
## Project Impact

## Herff Stability

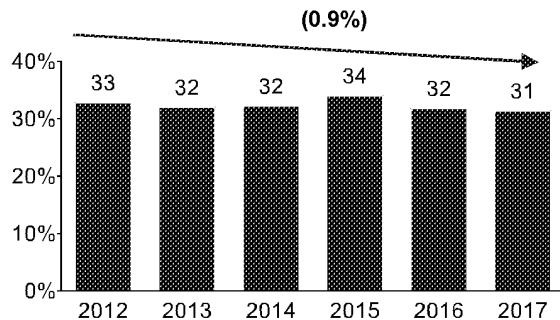
Declining business but improving execution and focus adding greater stability and predictability

### Market Backdrop

#### Yearbook Buy Rates



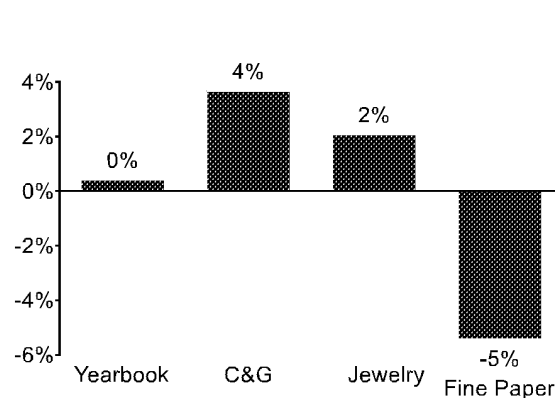
#### Class Ring Buy Rates



**YB + rings are in secular decline, but trend has stabilized**

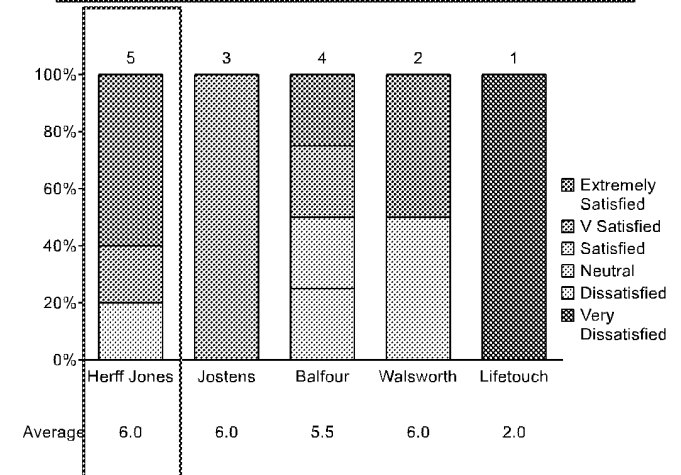
### Company Trends

#### 2018 Revenue Growth by Segment



### Customer Feedback (Parthenon Work)

#### Customer Satisfaction



#### Voice of The Customer

- **Encouraging Recent Performance:**
  - Replaced entire 9-person C-suite\*, including an industrial operator as President
  - Mgmt and rep distractions now behind them
  - New focus on execution, SFE, NPD, acct retention
  - Ahead of plan YTD → new 2018B calls for +1% YoY
- **Technology investment starting to paying off:**
  - "Herff has better software tools than Balfour. It was a factor in why we switched"
- **Good reputation for journalistic background**
  - "HJ's journalistic expertise appeals to a lot of yearbook advisors"
- **Generally sticky businesses** (low-to-mid 90s retention rates), high-touch offering (esp. yearbook)

**Despite missteps, customers remain largely satisfied with HJ**

# Project Impact

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# Agenda

**Core Business**

**Growth Levers**

**Cost Opportunity**

**Financial Profile**

## Project Impact

## Growth Opportunities: Summary

**Multiple uncorrelated levers we can pull to drive transformation and value creation across biz units**

Lever	How We Can Help Grow / Accelerate
<ul style="list-style-type: none"><li>• <b>Digital:</b> <i>Optimize &amp; leverage company's emerging digital assets</i></li></ul>	<ul style="list-style-type: none"><li>• Bring BCP's in-house digital and marketing capabilities, and implement tools (e.g. re-targets, DTC shipping)</li><li>• Drive strategic vision and investments in platform</li></ul>
<ul style="list-style-type: none"><li>• <b>Cross Sell:</b> <i>Build out cross-sell team to drive platform sales</i></li></ul>	<ul style="list-style-type: none"><li>• Invest resources to build out cross-sell Impact team</li><li>• Incentivize collaborative selling with compensation redesign and better integration</li></ul>
<ul style="list-style-type: none"><li>• <b>Sales Force Effectiveness:</b> <i>Continue to optimize sales force productivity</i></li></ul>	<ul style="list-style-type: none"><li>• Leverage sales specialist PG expertise to drive strategy and help implement best practices</li><li>• Help team employ the most effective tools and technology to help drive to faster biz insights</li></ul>

## Project Impact

## Digital

**Vision:** Leverage Varsity's thousands of B2BC team & school relationships to unlock spend of student, parent and community with a compelling B2C offering with personalized & customized products

Broad portfolio of  
leading brands &  
products across  
the spectrum



Complete school  
& personal  
customization  
capabilities



Difficult to replicate  
school network of  
principals, coaches  
& teachers



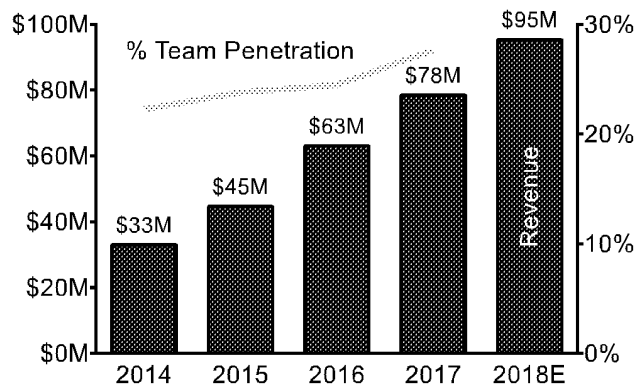
Industry leading  
technology &  
digital tools



Differentiated  
eCom platform  
that broadens  
customer base and  
Varsity's SoW

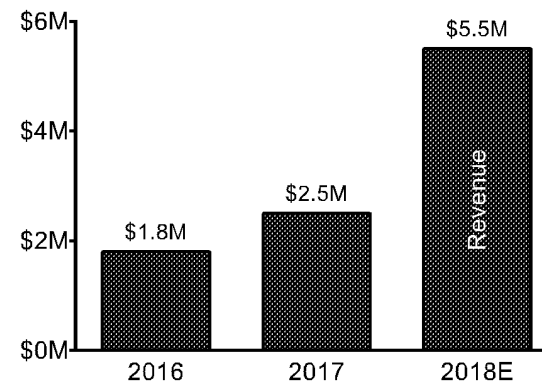
**MY TEAM SHOP**

Online BSN portal for parents & teams to  
purchase all apparel & equip needs and  
"rebate" some sales to school



**SIDELINE STORE**

A year-round DTC eCommerce site providing  
fans access to customized apparel and  
equipment



### BCP Value Add

- Strategic focus and investment
- Determine best overall platform strategy as opposed to BSN-specific
- Employ best in class digital tools & rollout functionality (e.g. ship to home, etc.)
- Invest in digital mktg (e.g. retargeting)

***Traction to Date:*** Early success in leveraging eCom in BSN with My Team Shop and Sideline Stores, but oppy to think more strategically about a holistic online strategy across BUs and room to significantly improve tools / capabilities

# Project Impact

# Cross-Sell

**Vision:** Become a solution provider for administrator's who want to improve engagement, achievement and graduation rates with a holistic offering of branding, spirit, sports and achievement offering

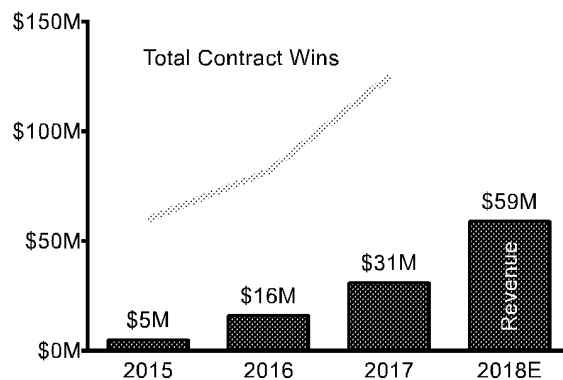
## What It Is Today

- Cross-selling tool that **combines the offerings of 3 divisions** with a pkg of **value-added svcs**
- Added svcs include: **school branding** (e.g. logo, redesign stadium, etc), fundraising solutions, etc
- Also provide better pricing for schools (bulk discount), which helps get customers on board

## BCP Value Add

- **Really invest behind** in a meaningful way
- Ability to accelerate with **sales rep dedication**, testing best way to sell platform and strategy

## Traction To Date (Incremental Revenue to Date)



## What Customers Say

*"They'll help you with the **rebranding** which is a **clear benefit**, and it's very clear they've devoted a lot of resources to partner with you to make it as effective as possible"*

*"Ultimately I opted for them because of the **lower price**. You buy more you get more discount"*

*"There are three reps that work together, makes my life a lot easier"*

## Size of the Prize (Incremental EBITDA Opp'y)

		Incr. Spend per School (\$K)			3 Yr. Cumul. Annual
		\$150	\$225	\$300	
# Schools	% Pen. of Tier 1-3 Schools	\$50	\$75	\$100	
1,450	10%	10	16	22	
2,900	20%	22	33	44	
4,350	30%	33	48	61	
5,800	40%	44	61	79	
7,250	50%	52	74	96	
8,700	60%	61	88	114	
10,150	70%	70	101	132	
14,500					

**Converting ~40-60% of target accounts could yield \$50-75M+ EBITDA by Year 5**

**Early days for cross-sell opportunity but strong momentum and room to significantly accelerate with our strategic vision and investments**

## Project Impact

## Sales Force Effectiveness

***Vision:*** Drive to be a best in class sales organization to enable account growth, team penetration and spend growth by leveraging technology, data and sales support tools

### What It Is Today

- BSN is in the process of **rolling out various salesforce effectiveness & hiring initiatives**. Despite being early days, mgmt is **already seeing benefits** (i.e. more reps hired, better sales vs budget)
- Relatively **early days on technology and data** usage today (i.e. first year they are starting to share cross-divisional data with reps, just now rolling out Tableau to salesforce, etc.)

### BCP Value Add

- Leverage **sales specialist PG expertise** to drive strategy and help implement best practices
- Help team **employ the most effective tools and technology** to help drive to faster biz insights

### Current Initiatives

- Started rolling out Tableau, a data / BI software tool to provide better data and tracking to the field
- BSN reps are **largely male, and looking to hire more women** → **Varsity Spirit** a key asset here
- Changed **commission structure** to make reps more productive and better align incentives
- Improved **training and e-learning capabilities** to better train rookies

### Future Oppys

- Provide sales reps with tools that **draw out insights** as opposed to data dump
- Test and **pilot Varsity reps in BSN** (~95% women, sell more) or leverage learnings
- Leverage **sales PG expertise** to further align incentives with salesforce (e.g. digital, penetration, etc.)

### Size of the Prize

(Average Sales / Field Rep)

***Boosting sales per rep ~10% to 20% is ~\$20-40M EBITDA***

- Today: \$731K
- Management: ~\$890K
- Full Potential: ~\$1M+

***Significant opportunity to build upon recent success optimizing sales force productivity***

# Project Impact

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# Agenda

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## Project Impact

## Significant Cost Savings Opportunity

### Context & Approach

- During the diligence process, Bain Capital hired third party consultants to do an independent cost assessment and validate the cost savings opportunity identified by management and their third party consultants
- Key areas of opportunity through operational efficiencies and IT savings within Herff Jones, as well as sourcing & procurement savings across BSN, Spirit, and Herff Jones
- Management, Bain Capital and AlixPartners identified \$40M - \$63M of cost savings
- Focus of work has been on 57% of the cost bar – significant opportunities may remain for additional cost optimization in the 43% of the cost bar that will be studied in the second round of analysis

### Cost Savings Summary

	Cost Levers	Range
Herff Jones Operational Efficiencies	• Implement better labor productivity techniques	\$10M - \$15M
	• Consolidate plants	
	• Reduce mfg. complexity	
Herff Jones IT Savings	• Simplify technology architecture to save on administrative costs	\$6M
	• Normalize internal and external IT headcount	
All Divisions Sourcing	• Consolidate spend across vendors	\$24M - \$42M
	• Implement RFPs and better negotiations techniques	
Total		\$40M - \$63M

*We are conservatively modeling \$40M of cost savings, representing the low end of the range*

## Project Impact

## Cost Savings Detail

Cost Savings Detail				Range (\$M)	
Herff Jones	Operations	Fine Paper	• Reduce complexity and rework, reduce outsourcing, better product management	\$3.3M	\$5.1M
		Jewelry	• Extend outsourcing, implement disciplined visuals & standards, increase 3D wax printing	\$2.5M	\$4.1M
		Yearbook	• Consolidate sites and implement labor productivity initiatives	\$1.4M	\$2.0M
		Cap & Gown	• Implement RFID tracking, reduce labor though better shop floor mgmt techniques	\$1.6M	\$2.3M
		Cross-Product	• Reduce customer service labor leveraging non-paper-based outsourcing	\$1.6M	\$1.9M
		Sub-Total		\$10.3M	\$15.4M
	IT	Proj. Simplify	• Reduce administrative complexity and labor costs by simplifying technology architecture, reducing external contractors and normalizing IT headcount	\$6.2M	\$6.2M
		Sub-Total		\$6.2M	\$6.2M
All Divisions	Sourcing	Raw Materials	• Consolidate raw material spend with fewer vendors and negotiate better rates	\$5.1M	\$7.9M
		Other Direct	• Reduce nat'l brand, private brand and decorator costs through consolidation of spend, better negotiation processes and normalized decorator pricing	\$13.3M	\$25.4M
		Indirect	• Conduct competitive RFPs and consolidate spend in Travel, IT, contract labor, etc.	\$5.4M	\$8.3M
		Sub-Total		\$23.8	\$41.6
Total				\$40.3M	\$63.2M

## Project Impact

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## Agenda

**Core Business**

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## Project Impact

## Consistent Long Term Performance

Varsity has steadily grown over the years, and after removing its burdensome ESOP structure it has performed well but still early days in the journey and lots we could do to accelerate growth across the business under our ownership

### Varsity – Long Term Financials

#### ESOP: Pre-'14 Burdened Structure

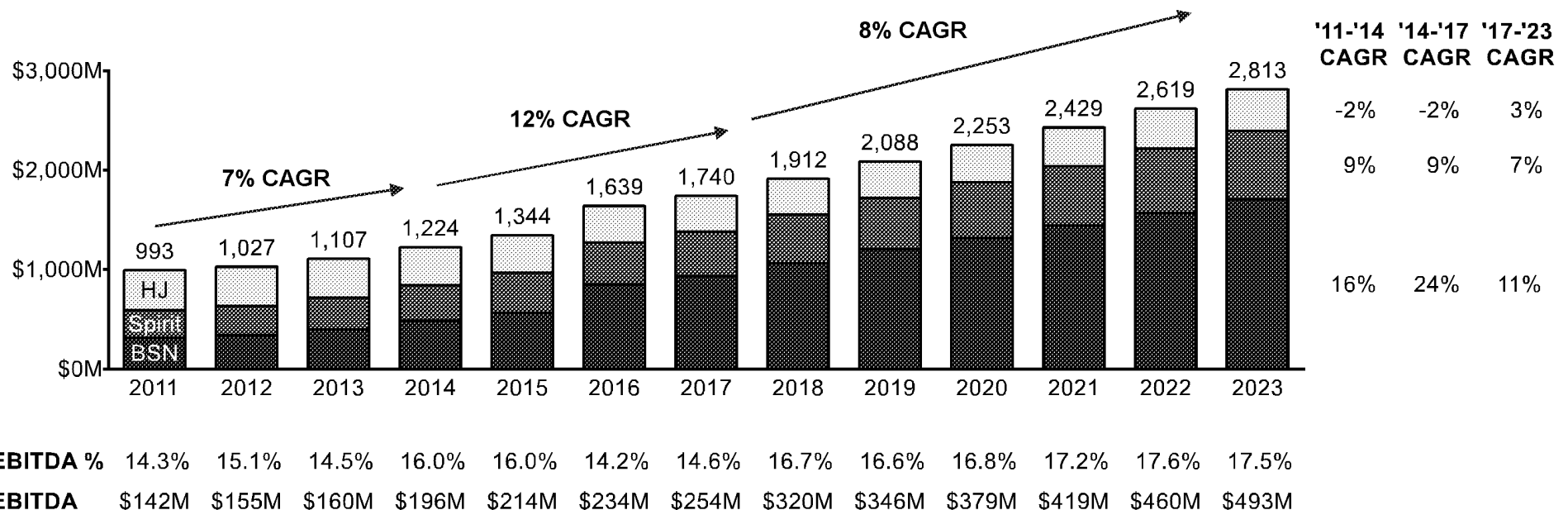
Three separate businesses, recently combined under one name; ESOP culture limited risk-taking and investments in future growth

#### Charlesbank: '14 to Today Integration & Company Building

Hired new mgmt. team and eliminated ESOP to integrate businesses and change culture; still little x-sell today

#### Future Owners: Going Forward Leverage & Grow the Platform

Still early innings in "new company" journey (4 yrs). Continue to invest in building out their nascent digital assets, prioritize Impact initiative to drive cross-sell beyond history, optimize sales productivity



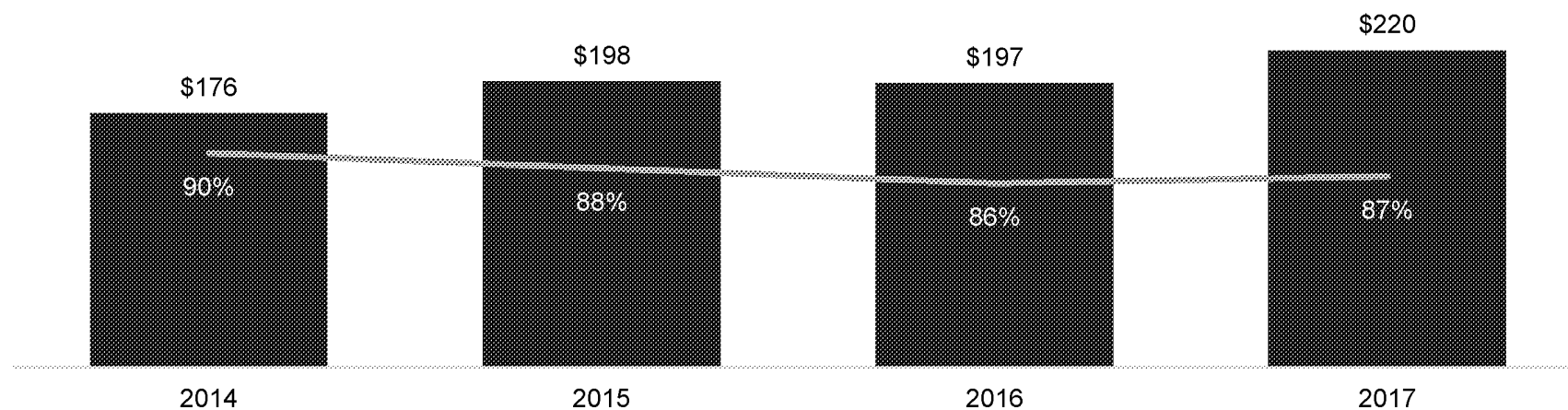
## Project Impact

## Strong FCF Generation

- Asset light model creates significant free cash flow generation
- Extensive earnings visibility due to sales cycle and proven ability to drive year-over-year EBITDA growth
- Capital expenditures averaging <2% of sales and free cash flow conversion averaging ~87% per annum

### Strong Historical Free Cash Flow Conversion

■ FCF      — % FCF Conversion

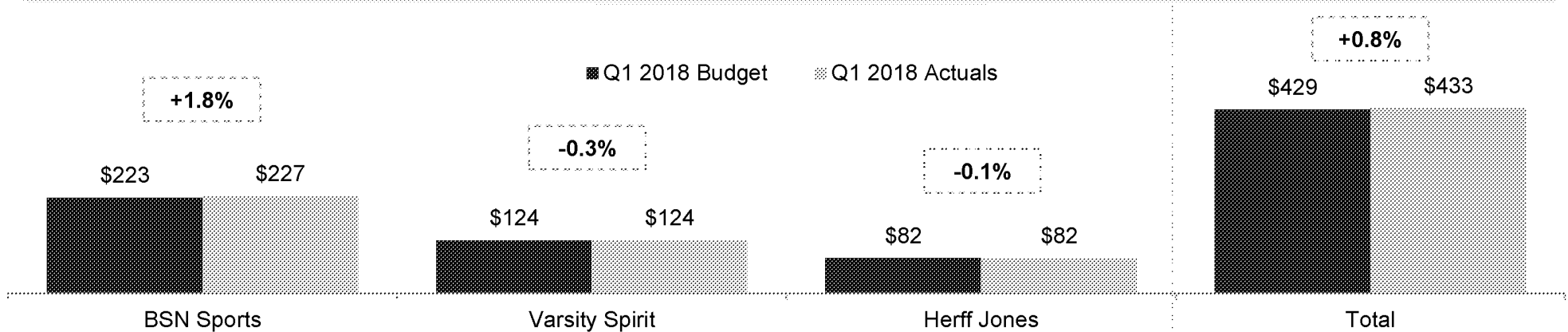


EBITDA:	\$196	\$226	\$230	\$254
Capex:	\$20	\$28	\$33	\$34

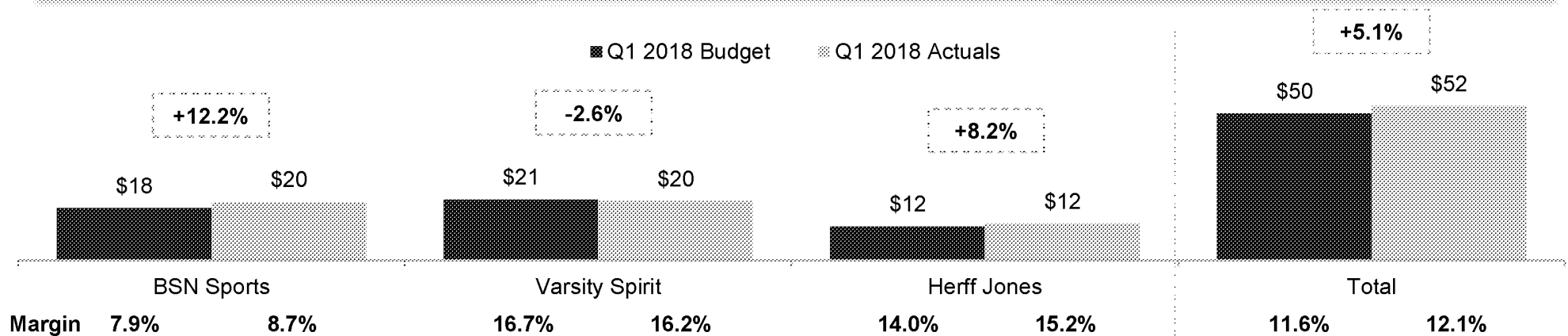
## Project Impact

## Recent Momentum

### Q1 2018 Revenue (\$M)



### Q1 2018 Adjusted EBITDA (\$M)



***Strong recent momentum, particularly within BSN***

# Project Impact

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# Appendix

*Cycle*

*BSN*

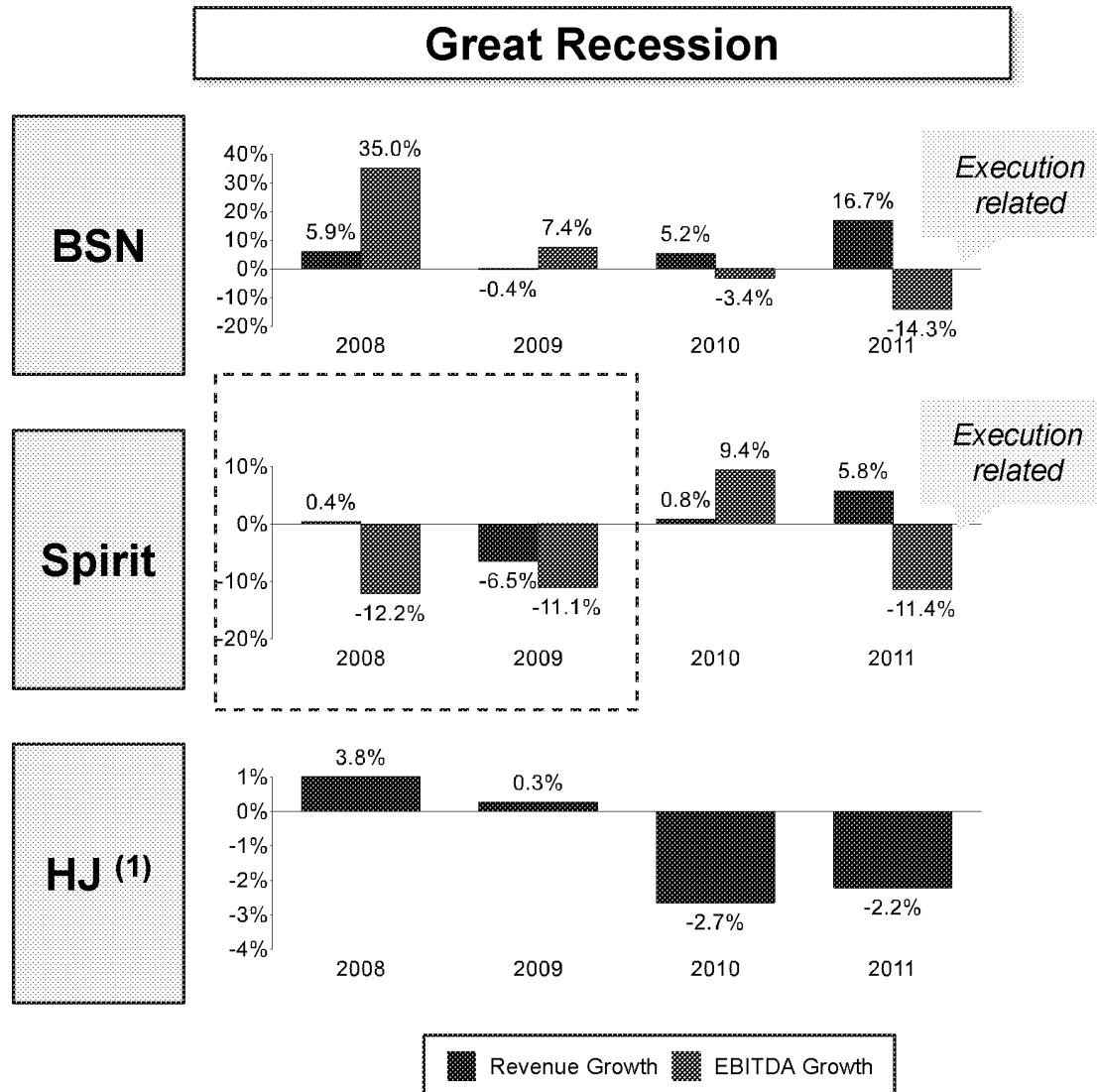
*Spirit*

*Herff Jones*

## Project Impact

Cycle: '08-'09 Recession

In the last recession, Varsity Spirit was hit the hardest losing ~ 6-7% topline and ~ 20-25% of its EBITDA but BSN and HJ were more resilient (especially relative to other consumer businesses)



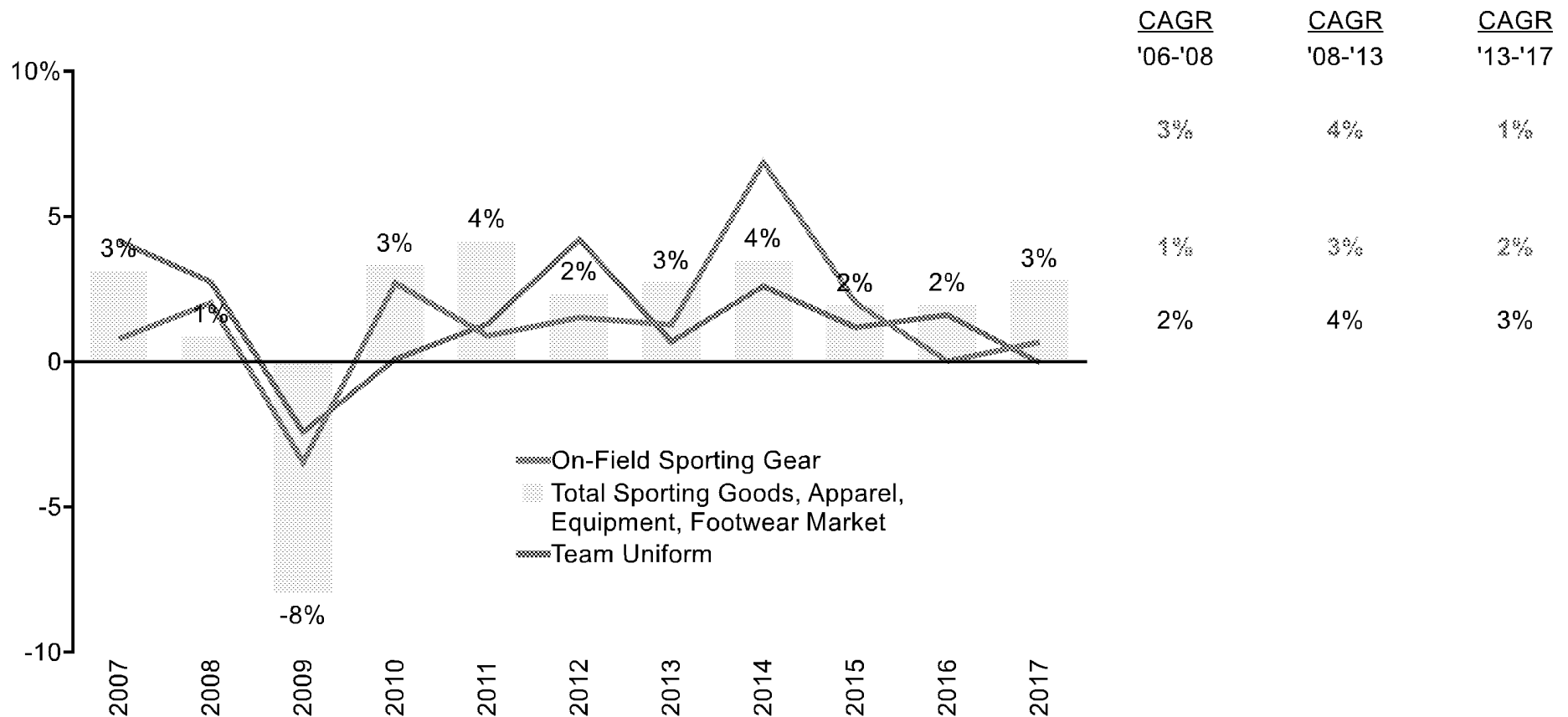


## Project Impact

## Cycle: BSN Exposure

**Team uniforms and on-field sporting gear are relatively less sensitive to economic downturns vs. broader sporting goods market**

**Annual Growth of Team Uniform vs. Total Sporting Goods, Equipment, Sports Apparel, and Athletic Footwear Sales**



**Core BSN industry declined ~2.5 - 3.5% in '08-09 recession vs. ~8-9% for sporting retail sales; BSN outperformed industry given continued share gain**

## Project Impact

## Cycle: Spirit Exposure

While apparel was hit the hardest during the last recession, the impact of the recession on camps and events was mitigated by the roll out of new event formats; strong recovery post-recession

\$000s	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR	
											'04-'10	'10-'13
<b>REVENUE</b>												
Varsity/CDT	\$132.9	\$134.9	\$138.6	\$142.6	\$141.6	\$129.1	\$132.6	\$137.8	\$143.9	\$150.1	(0.0%)	4.2%
Elite Brands GMBH	-	-	-	-	-	0.1	0.9	1.0	1.5	2.0		28.4%
Ozone (Gymnastics)	-	-	-	-	-	-	-	-	0.9	2.5		
E-Commerce	0.0	0.0	(0.0)	0.0	-	-	0.0	0.2	0.0	0.1	(2.2%)	120.5%
Intercompany Eliminations	(2.5)	(2.6)	(2.7)	(2.7)	(2.7)	(2.5)	(2.5)	(4.2)	(4.1)	(5.1)	(0.0%)	25.8%
<b>Apparel</b>	<b>\$130.4</b>	<b>\$132.3</b>	<b>\$135.9</b>	<b>\$140.1</b>	<b>\$138.9</b>	<b>\$126.7</b>	<b>\$131.0</b>	<b>\$134.9</b>	<b>\$142.4</b>	<b>\$149.6</b>	<b>0.1%</b>	<b>4.5%</b>
% yoy growth		1.5%	2.7%	3.1%	(0.9%)	(8.6%)	3.4%	3.0%	5.6%	5.0%		
UCA	64.1	66.9	70.6	73.7	68.2	65.9	66.0	70.1	74.0	74.6	0.5%	4.2%
NCA	29.6	29.2	29.1	29.3	24.1	23.0	21.8	23.7	26.4	29.4	(4.9%)	10.4%
USA	9.2	8.3	8.8	9.6	9.1	8.2	7.7	8.5	9.4	9.9	(2.6%)	8.5%
Spirit Shop	-	-	-	-	7.7	6.6	7.2	8.1	9.5	11.2		15.8%
The Summit / IAL	-	-	-	-	-	0.6	0.7	0.9	0.2	4.1		77.9%
Premier Gyms	0.1	2.7	5.9	8.9	6.9	6.7	7.3	7.5	8.2	9.3	111.1%	8.6%
Athletic Championships	-	1.4	3.1	3.5	3.5	2.5	2.4	2.7	3.2	4.1		26.1%
Spirit Sports	-	-	0.0	1.1	1.7	1.6	1.6	1.8	2.2	2.6		26.1%
WSF	-	-	0.9	1.9	2.4	1.6	1.4	1.6	1.9	2.5		26.1%
Spirit Team (American Champ)	-	-	1.5	6.2	5.4	4.0	4.0	4.0	4.4	5.0		7.7%
Xpress Brands (All Star Challen	-	-	-	-	1.0	2.1	2.2	2.1	2.3	2.6		6.4%
Spirit Cheer	-	-	-	-	0.1	1.2	1.3	1.4	1.6	1.6		12.4%
Cheer Power	-	-	-	-	5.6	4.6	3.9	4.2	4.6	4.8		7.8%
Ultimate Speed Camps	-	-	-	-	-	0.3	0.2	0.4	0.2	-	(100.0%)	
Cheerleader	-	-	-	-	-	-	-	0.1	0.4	0.5		
Spirit Festival/PacWest	-	-	-	-	-	-	-	-	0.5	0.6		
Charlotte All Star	-	-	-	-	-	-	-	-	-	7.5		
Varsity All Star	-	-	-	-	(1.4)	-	-	-	(0.1)	0.0		
Intropa Tours	4.3	3.5	1.6	2.6	2.0	1.8	1.2	0.6	-	-	(19.8%)	(100.0%)
VSC Overhead Miscellaneous	-	-	-	-	0.0	0.5	0.8	0.4	1.3	0.7		(7.7%)
American Cheerleader	-	-	-	-	-	2.3	2.2	1.7	0.5	0.3		(50.5%)
Varsity International	-	-	-	-	-	-	-	-	0.1	1.2		
<b>Camps &amp; Events</b>	<b>\$107.2</b>	<b>\$112.0</b>	<b>\$121.4</b>	<b>\$134.9</b>	<b>\$136.4</b>	<b>\$133.6</b>	<b>\$131.8</b>	<b>\$139.8</b>	<b>\$150.6</b>	<b>\$172.7</b>	<b>3.5%</b>	<b>9.4%</b>
<b>Total Revenue</b>	<b>\$237.6</b>	<b>\$244.3</b>	<b>\$257.3</b>	<b>\$275.0</b>	<b>\$275.3</b>	<b>\$260.3</b>	<b>\$262.8</b>	<b>\$274.6</b>	<b>\$293.0</b>	<b>\$322.3</b>	<b>1.7%</b>	<b>7.0%</b>

### Commentary

- A** Apparel growing 2-3% pre- and post-recession. Growth accelerated to 5-6% with All Star share gains and salesforce efficiency
- B** Core camps and national championships (incl. merchandise sold at events) recovering rapidly post-recession
- C** Rapid share gain in All Star market by 1) acquiring Premier All Star gyms and various All Star competition brands, 2) organic attendance growth at acquired competitions, and 3) starting The Summit and driving participation in qualifying events (i.e., Athletic Championships)
- D** Miscellaneous initiatives to maintain "cheerleading ecosystem"

# Project Impact

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# Appendix

*Cycle*

*BSN*

*Spirit*

*Herff Jones*

## Project Impact

## BSN: Executive Summary

### Recall

- **#1 marketer & distributor of team sports** in the US experiencing strong inorganic and organic growth driven by sales rep and productivity growth and digital penetration
- We cont to believe it is a **great business** with **scale advantages** and **platform value**

### Structural Insulation

- **Niche, internet protected** market given industry fundamentals & competitive position
- **Low priority for Nike/UA to go direct** given they view BSN as an impt partner (8<sup>th</sup> largest customer) to help push their products every year into impt youth/HS channel
- Believe **Amazon is less of a threat** given this is a small mkt and Amzn is viewed as **necessary evil by A-brands. The nature of the products** (i.e. highly customized, short run items) and sales process (i.e. **RFP/service-based**) **lend itself less well to digital**

### Growth Runway

- Moving forward, the biggest historical and projected driver of growth is **increasing count of field sales reps**
- Significant runway potential given **BSN has ~15 – 25% of sales reps** in the market today and most team dealers are small mom and pops with 1-20 reps, and we believe there is room to accelerate growth by investing in recruiting reps
- Past **reps have experienced strong productivity growth** on the platform and we expect that to continue. Recent efforts to improve sales/rep have shown signs of traction and we believe we can accelerate that also moving forward with technology, tools and resources and refining the sales strategy (shrinking territories, refining goals)

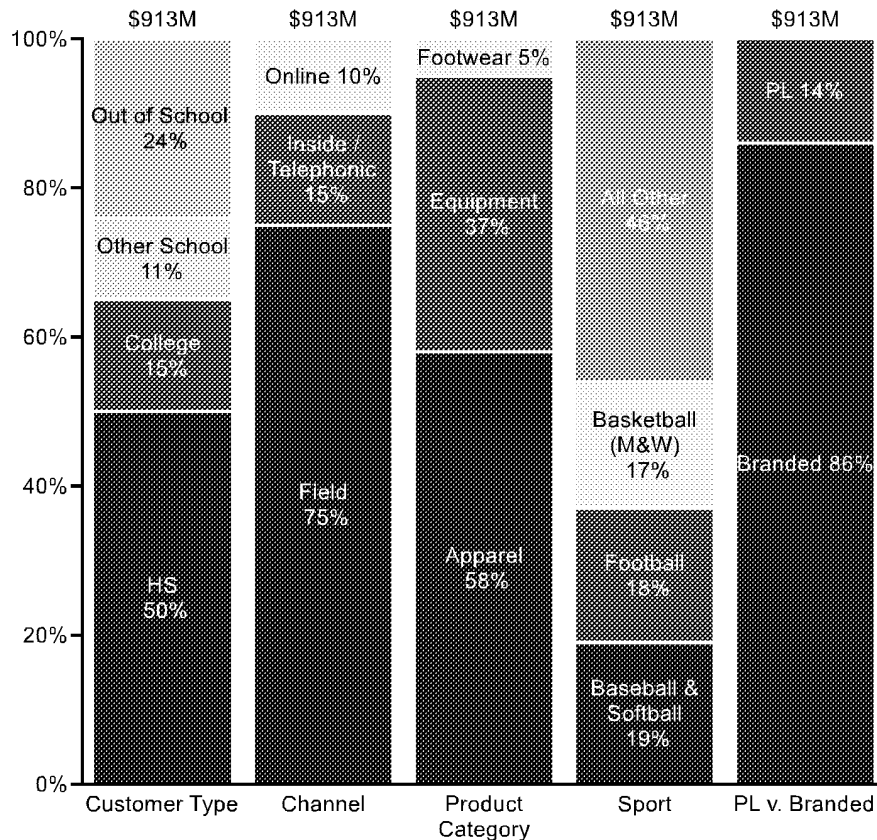
***Core business continues to be strong with further room to drive LDD growth***

## Project Impact

## BSN: Business Unit Overview

Leading marketer, manufacturer, and distributor of sporting apparel, equipment, and footwear

### 2017A BSN Revenue Segment Mix



*Diversified business mix across sports, schools, products and more recently channels*

### Business Description

- **#1 marketer and distributor of team sports in the US**
- **~3x RMS, but ~15% of ~\$5-6B market with diverse customer base of schools, leagues, & cities**
  - ~800+ direct field sales reps
  - Primarily competing with Eastbay (~50-100 reps), local dealers (typically 1-20 reps) and Dicks (~5% share)
  - 115 telesales reps, 3M+ catalogs circulated annually
- **Small, but fast growing eCommerce sales channel**
  - My Team Shop – online portal for parents and teams to purchase all apparel and equipment needs and “rebate” revenue to school
  - Sideline Store – year-round direct to consumer eCommerce site providing for entire school community (i.e. customized school gear)
  - allgoods – fundraising site providing customized fanwear
- Since 2014, the company has completed 22 tuck-ins (\$110M of RR revenue) and made 2 strategic acquisitions including Lids Team Sports (#2 player, Rev: \$142M)

*Fundamentally, BSN remains a very attractive, market leading business with proven track record*



**BainCapital**

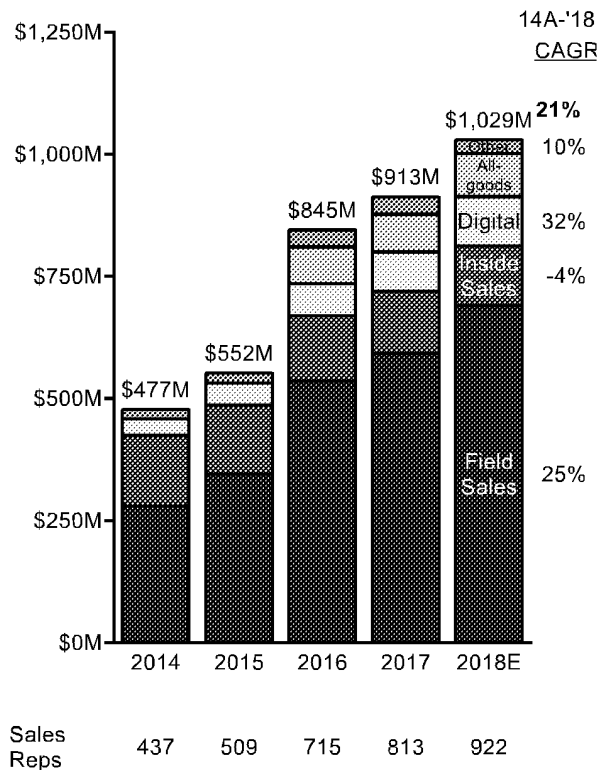
Source: CIM, data room

## Project Impact

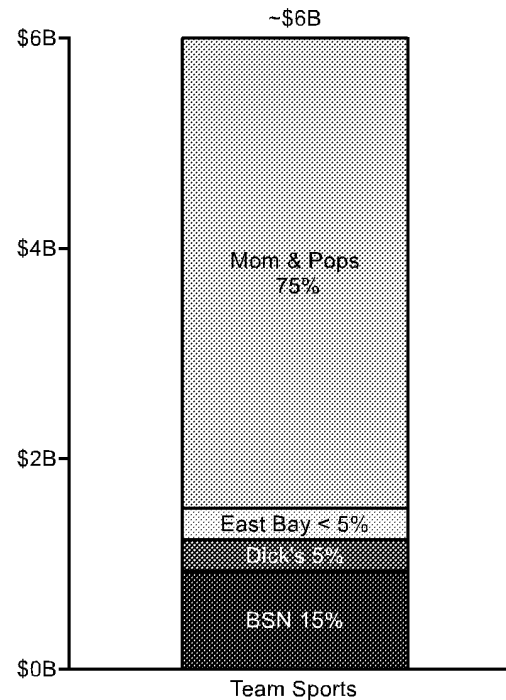
## BSN: Market Context

We continue to believe BSN is a great business with scale advantages and platform value

### BSN Revenue Growth



### Market Landscape



### Scale Advantages

- **Ability to invest in technology** (e.g. My Team Shop, online billing, salesforce effectiveness tools)
- **Product breadth** (600K+ SKUs) → the only “one-stop-shop”
- **Purchasing power** → leading margins enables BSN to serve smaller accts
  - Ex. 8<sup>th</sup> largest Nike customer
- **Proprietary technology** → real-time inventory visibility
- **Brand consolidation** → Brands consolidating around partners who can control distrib. and push brands
  - Ex: proprietary Spalding relationship
- **Proprietary products** → High margin proprietary/PL products

*Growing platform across business lines including field, digital, etc.*

*With unique scale (3x+ RMS) in highly fragmented space...*

*...and real scale advantages vs. smaller peers*

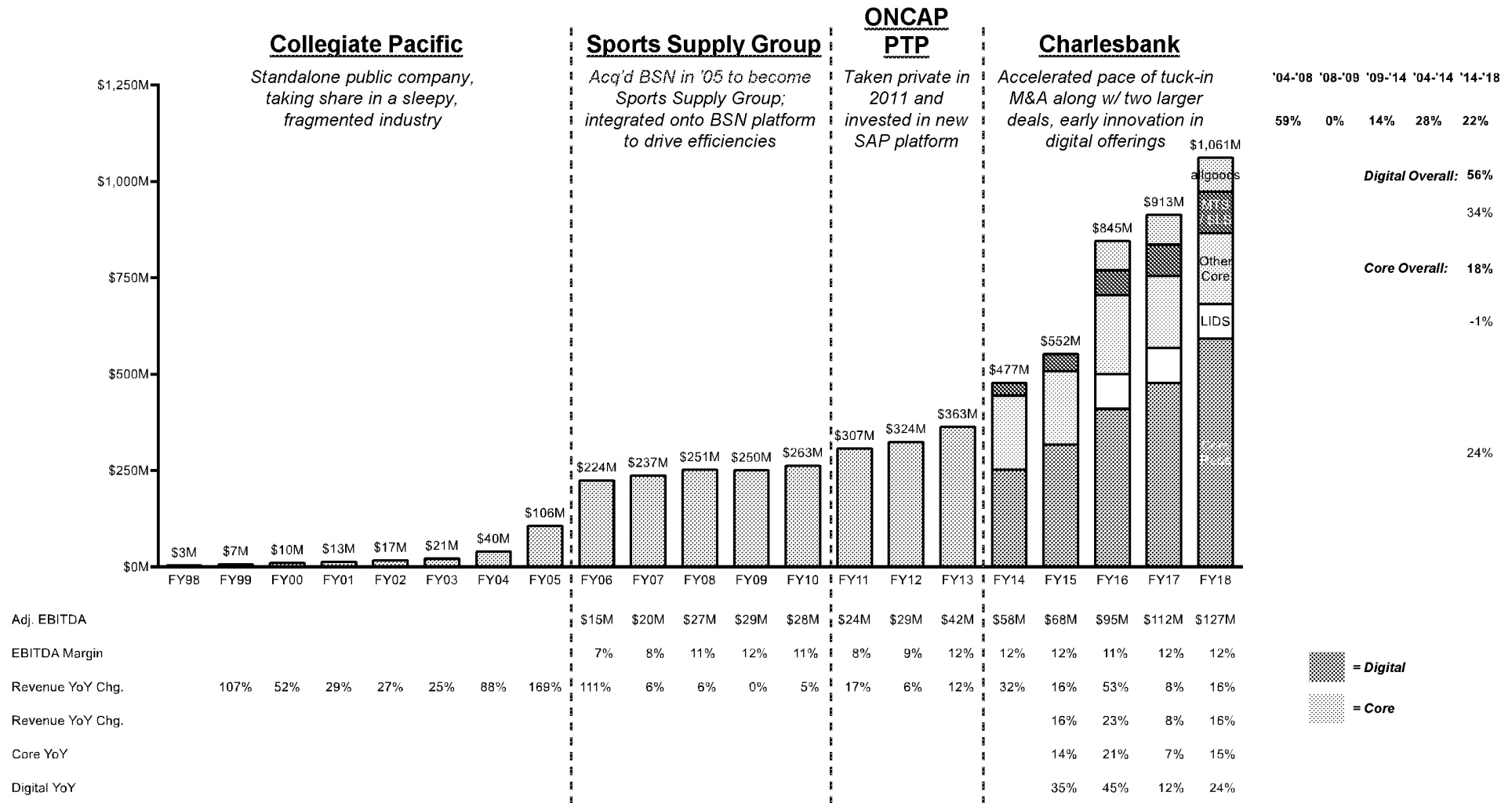


## Project Impact

## BSN: Long Term Financials

Long history of consistent growth augmented with M&A, accelerated in recent years

### Long Term Historical Financials



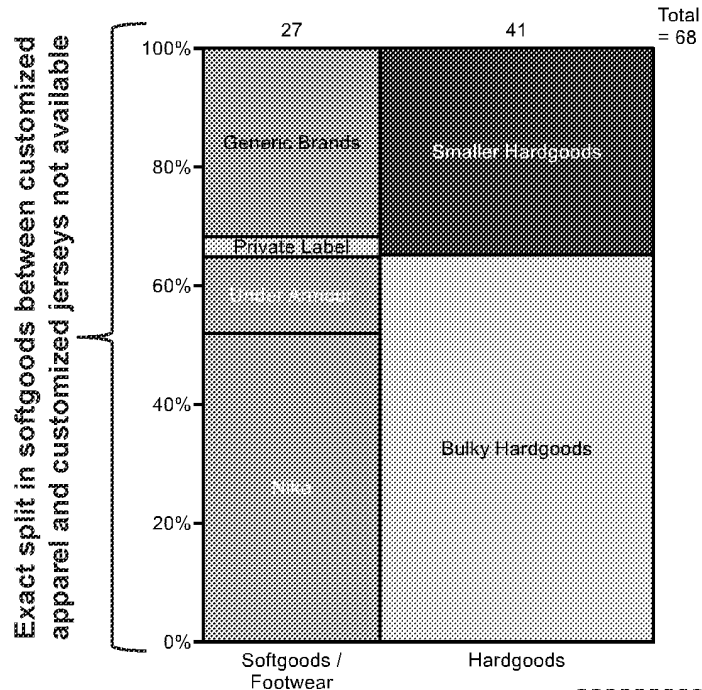


## Project Impact

## BSN: Profit Pool Stability

Majority of BSN profit appears well-insulated from disintermediation, either by Amazon or other digital players

### 2015 EBITDA Mix

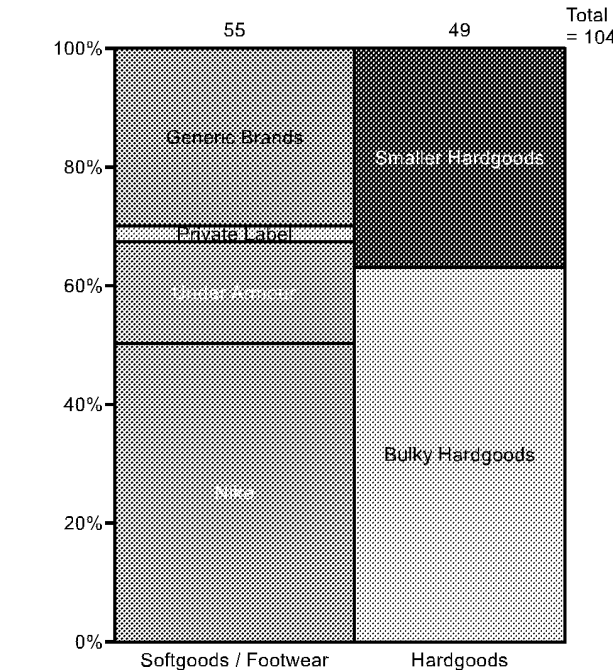


% Total	39%	61%	<b>At Risk = 34%</b>
% At-Risk	32%	35%	

#### Key:

- **Softgoods:** customized apparel, jerseys, and other outerwear
- **Generic Brands:** Russell Athletic, Alleson Sports, Badger
- **Hardgoods:** equipment, balls, bats, goals, fences, netting etc...
- **Bulky:** nets, goals, fencing, and generally heavy-duty equipment
- **Smaller:** baseball gloves, bats, balls, sticks

### 2017 EBITDA Mix



% Total	53%	47%	<b>At Risk = 33%</b>
% At-Risk	30%	37%	

### Commentary

- ~67% of BSN's EBITDA today comes from product lines that are unlikely to be disrupted
  - **Nike & Under Armour:** mostly customized apparel & jerseys, deeply imbedded relationship
  - **Bulky:** large, big-ticket items, hard to keep in-stock at a store, impossible to ship
- **Generic Brands:** lower-quality athletic wear w/ generally meaningless brands; BSN private-label offering to compete w/ pot'l disruption (and take margin)
- **Smaller / Generic hardgoods:** general sports equipment, in competition w/ B&M suppliers today and easy for other competitors to enter
- Even more exposed categories benefit from convenience of **BSN one-stop shop and sticky sales relationship**

**Most of the profit pool (and majority of the growth) today not at high risk of digital disruption**



## Project Impact

## BSN: Sticky Relationships

Unlike other sales rep driven models, we believe the team sports market is better protected from online given the nature of the sales process, limited threat from Amazon and strong BSN platform

### Sales Reps Model

*"This is a relationship business, we need our sales reps to **build the relationship** with all the different people in the field"*  
Regional VP, Athletics Competitor

*"Sales rep really play a major role because I like to see if they're checking in. I want them to **hold my coaches' hand throughout the process** if they need it."*  
Athletics Director, High School

*"There are all **kind of safety regulations in the uniforms**, I'd expect to vendor to keep me up to date on those"*  
Athletics Director, High School

### Limited Threat From Amazon

*"I **don't see Amazon entering this space**. Amazon is very good at delivering bulk at low prices. **Personalizing a large amount of items is a whole different game**. I don't think they can offer that"*  
Principal, High School

*"Selecting all various types of uniforms and other products on Amzn would be **very time intensive**. Not even sure how we could make that work with the limited time we have. Currently **you just use the bid and the vendor provides all kind of extra stuff and services**"*  
Athletics Director, High School

*"The state forces us to **request bids from a variety of vendors** for the selection. I **don't think Amazon would take place** in such a bidding process"*  
Athletics Director, High School

### Strong BSN Platform

*"They can make me the **best deal**"*  
Principal, High School

*"BSN has **access to a broader assortment of products**, and has the best **quality** available"*  
Athletics Director, High School

*"I have a **longstanding relationship with BSN sales rep**, I brought him to my new school"*  
Athletics Director, High School

*"I want them to have **direct access to the supplier's warehouse**. I need to know that if I need a size 13 Nike cleat ASAP that my supplier can do that for me. BSN can do that"*  
Principal, High School

**Sales reps remain essential**

**Barriers to entry for Amzn**

**BSN continues to remain strong**

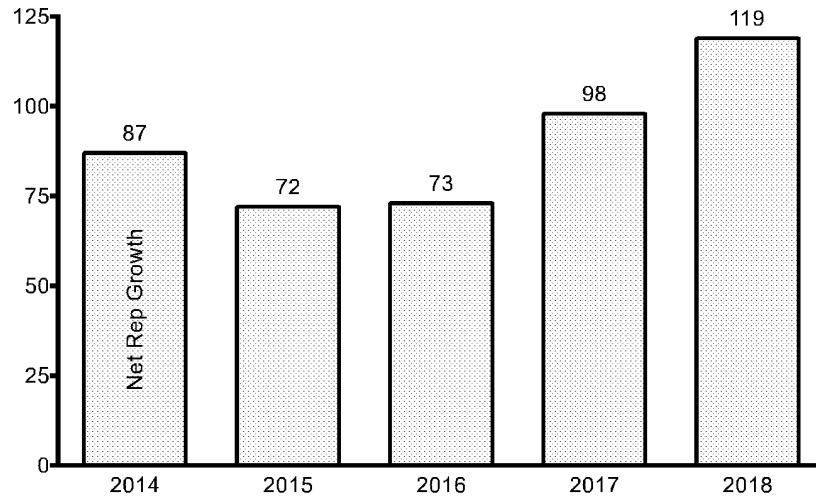


## Project Impact

## BSN: Sales Rep Evolution

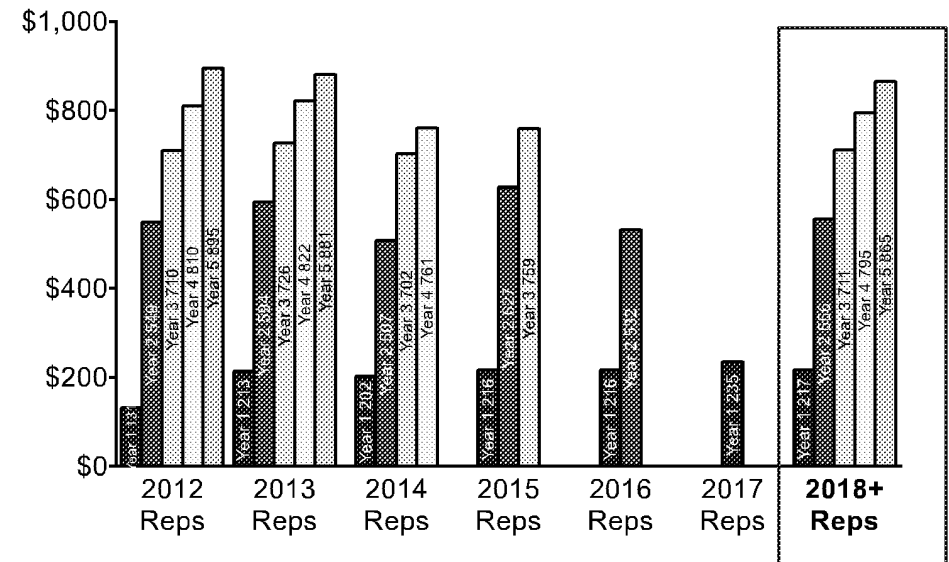
Historically BSN has demonstrated its ability to robustly grow reps and drive sales productivity

**Field Sales Rep Adds**



BOP	437	509	715	813
Hired	95	93	123	130
Tuck-In	19	24	58	60
Lids		133		
Churned	-42	-44	-83	-71
EOP Reps	437	509	715	813
				932

**Field Sales Ramp**



### Drivers of Productivity Growth

- Year 1 (typically half year)
- Training and familiarity with products, BSN systems, etc.
- Account penetration (e.g. more sports, spend/sport)
- Sales effectiveness tools & incentives (e.g. Tableau, new commission structure, digital platform)
- Industry sports participation and sports growth

*Historically, strong growth in number of reps...*

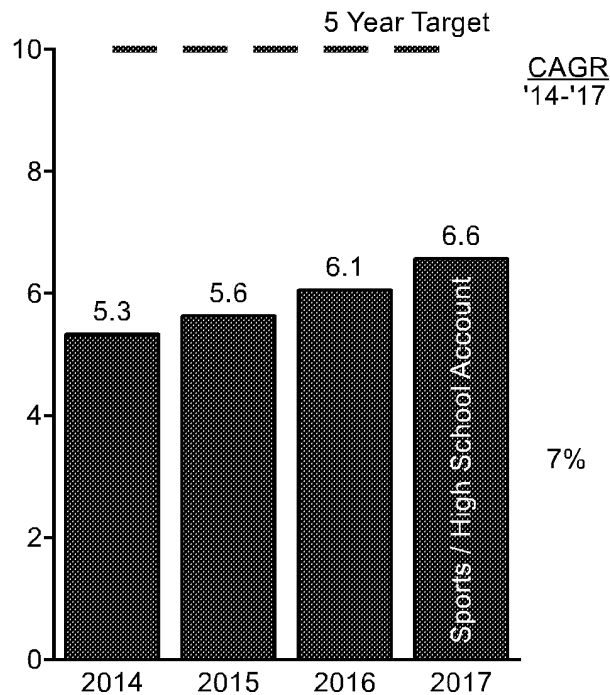
*...as well as productivity of those reps (note: 2017 outlier year given Nike & UA's IT issues)*

## Project Impact

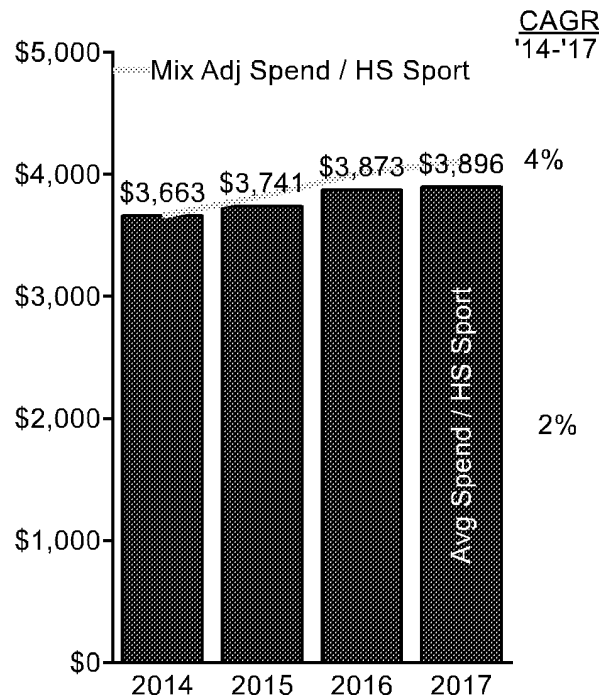
**BSN has shown a strong ability to penetrate deeper into accounts and expand SoW, but there's still more mgmt can to do drive further growth**

## BSN: Sales Productivity

### Sport Penetration



### Spend Per Sport



### Key Levers

#### Improving technology to drive performance

- New core order form entry wizards and CRM
- Incremental sales driven by My Team Shop improvements
- Tableau access for sales pros (i.e. BI software for better metrics and mgmt)

#### Consistently reassigning underperforming accounts & sports

- Management is actively shrinking territory to motivate reps to sell further into accounts

#### Providing support & tools

- Added more category manager (e.g. Tier 2 sports, women's sports)

*Reps are winning more 2<sup>nd</sup> and 3<sup>rd</sup> tier sports with accounts...*

*...but BSN has still grown spend/sport on average & L4L basis*

*...and real scale advantages vs. smaller peers*

# Project Impact

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# Appendix

*Cycle*

*BSN*

*Spirit*

*Herff Jones*

## Project Impact

## Varsity Spirit: Executive Summary

### Recall

- **#1 player in cheer industry**, and only one that sells apparel & runs camps and events
- Has achieved above-market growth through **continued innovation** in school and All Star (club) event formats, as well as through tuck-in M&A in All Star

### Cheer Market Outlook

- Cheer **participation** has historically enjoyed **LSD growth and mkt has grown ~3-5%**
- Varsity has been able achieve **above-market growth through constant innovation** → created All Star (i.e. high-skill “club” format) which drove a lot of growth over last 5 years, and recently introduced Game Day format (i.e. new casual school format)
- Varsity is a **formidable competitor** in the cheer market, as it is the only integrated provider of cheer training, competition and apparel - **difficult for others to replicate**

### Growth Runway

- While **biggest driver in recent history has been All Star** through Nationals and M&A, **Game Day has potential to unlock \$50M+ of revenue** as it opens similarly high-margin competition experience to less skilled school teams (not available before)
- Still room for **further growth in All Star** segment through introduction of lower-level (D3) Nationals events at Disney for an **incremental \$10M**
- One further interesting upside option ticket is leveraging the Varsity Spirit playbook to **expand into similar markets like band (\$150M rev. opportunity) and lacrosse (\$30M rev. opportunity)**

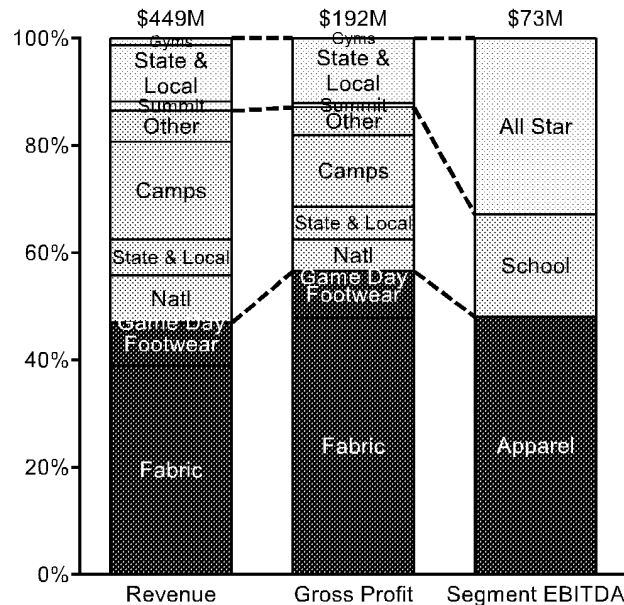
***Innovation-driven business that is well positioned to maintain above-market growth***

## Project Impact

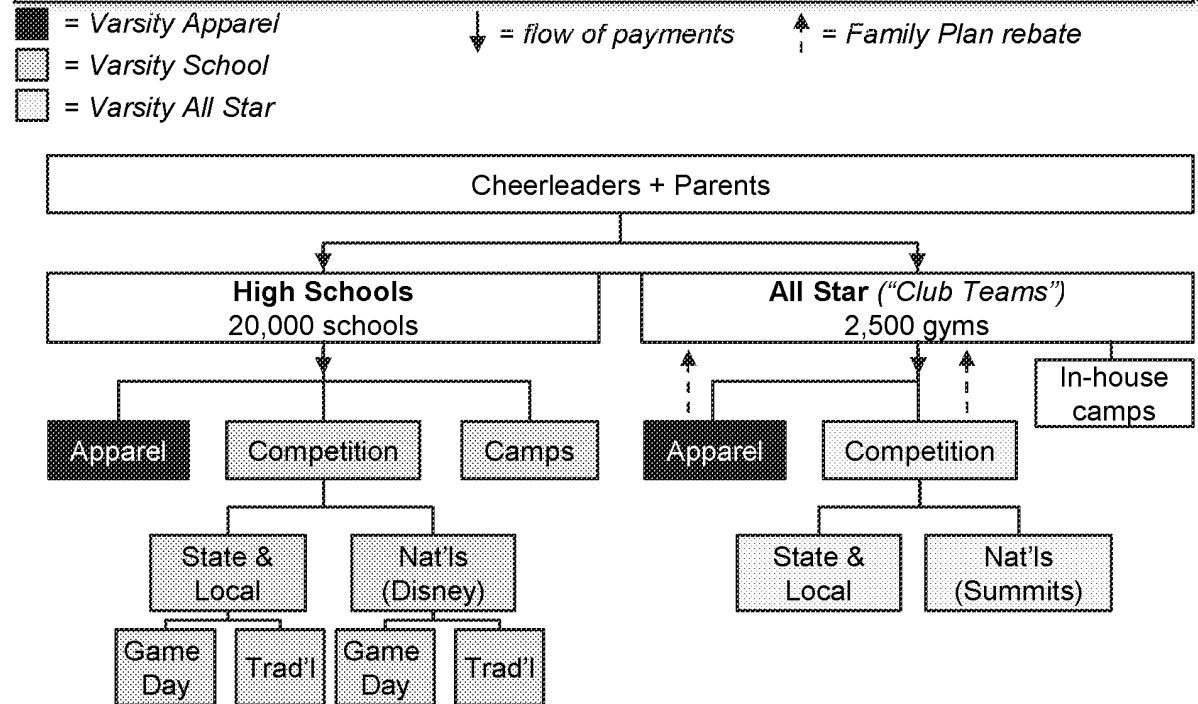
## Varsity Spirit: Business Unit Overview

Varsity Spirit is the creator of competitive cheerleading, owns apparel, camps, & competitions

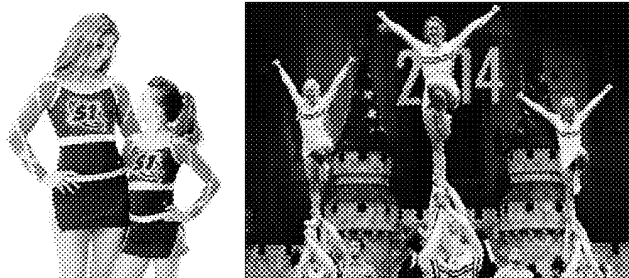
### 2017A Financials



### Cheerleading Ecosystem



### Overview



- Founded in 1974 by Jeff Webb, pioneered competitive cheerleading. Through M&A, consolidated into **clear market leader** that defines entire industry: "We Are Cheer"
- Salesforce sells to coaches of scholastic (junior high, high school, college) & All Star squads
- Sell uniforms, accessories and run national + local competitions, training camps
  - Premium brand** for uniforms, serving most passionate & competitive teams
  - Competitions: **the top competitions** in cheerleading. Camps: only national provider
- High synergies:** need to buy matching uniforms for competition and campwear for camps, where trainers wear Varsity; uniform reps and trainers promote competitions

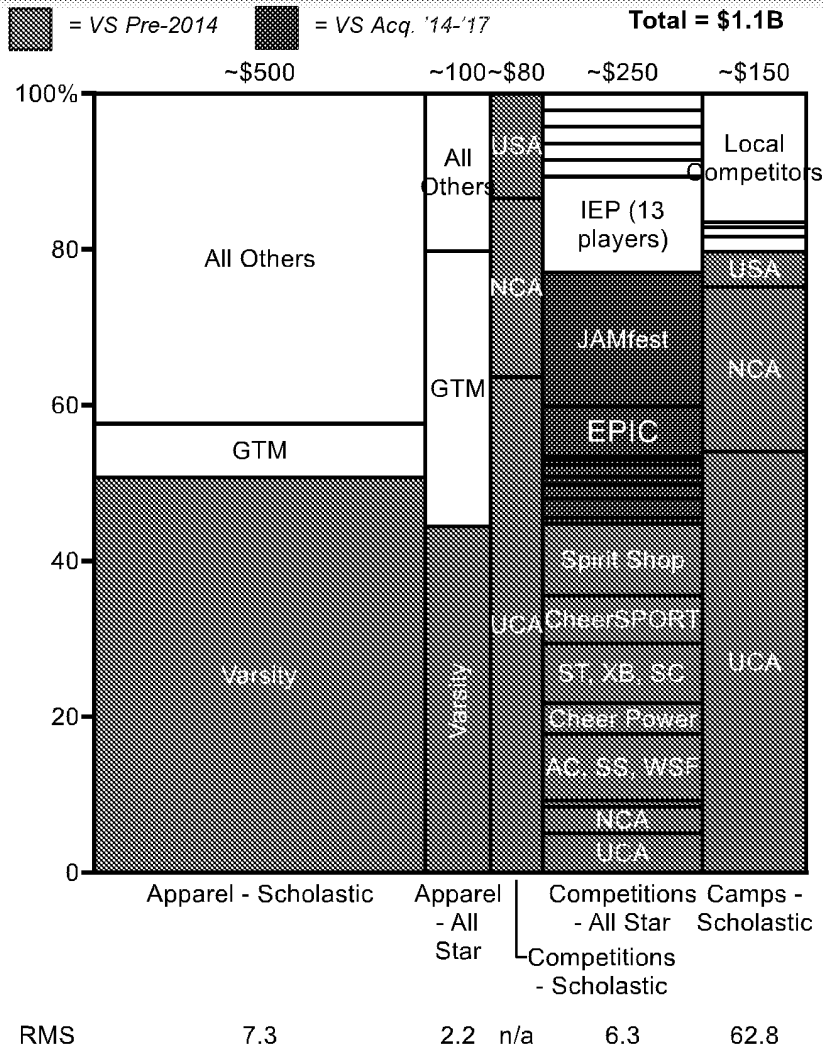


## Project Impact

## Varsity Spirit: Business Model

Varsity Spirit has not only gained share in the last 4 years, but it has also expanded the market

### 2017 US Cheerleading Market<sup>1</sup>



### Why Varsity is a Good Business vs. Key Risks

#### Why Varsity is a Great Business

- **Participation growth to continue over next 5-10 years**
  - Scholastic growing 2-3% p.a., while All Star has been flat
  - Low fat risk and injury concerns; in line with other sports
- **#1 uniform and apparel brand, with strong share in premium market**
  - Scale, high-touch salesforce, premium brand drive customer loyalty
- **Strong, defensible position in competitions with multiple growth vectors**
  - Well-protected core: "We are cheer"
  - Consistently grown the industry by extending competition brand to new markets (All Star, Summit, STUNT)
- **Camp brand, value-add to coaches ensures stability**

#### Key Risks

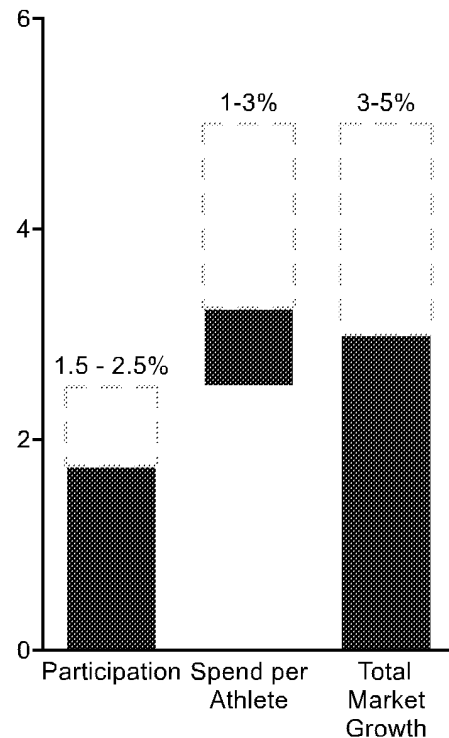
- **Some economic sensitivity, potential injury concerns and shrinking All Star white space**
  - Insulated due to concentration w/ most passionate, inelastic customers
  - Continued success with Summit illustrates ability to create new markets
  - Diversifying away from high-skill competitions through Game Day
- **New apparel entrants could steal share based on price, service**
  - Mitigated by scale of Varsity salesforce, high brand equity
  - Further mitigated by unparalleled relationship with Disney

## Project Impact

## Varsity Spirit: Cheer Market

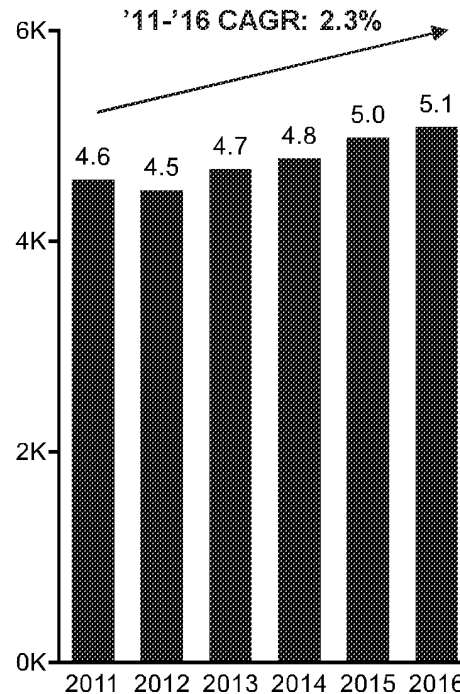
Cheer market expected to continue to grow participation at ~1.5% - 2.5% and spend ~1-3%

### '14-'17 US Cheer Mkt Growth



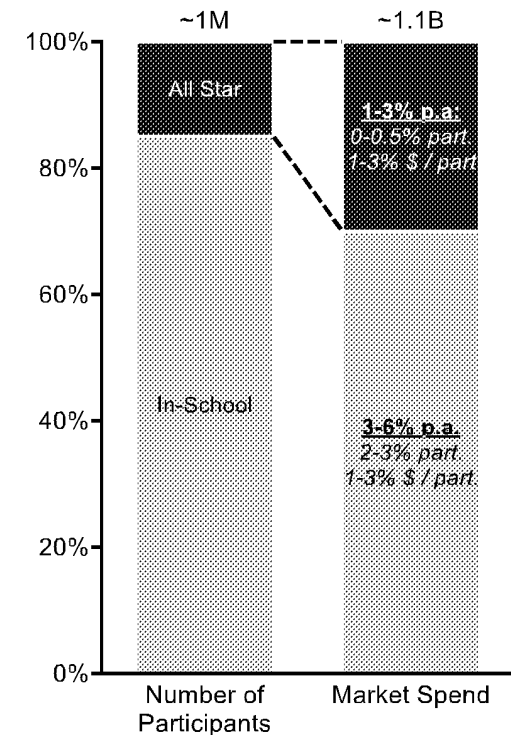
*The cheer market has sustained strong LSD growth since 2014*

### US Cheer Teams



*Cheerleading continues to penetrate schools across the nation*

### School vs. Club Participation



*Shifting focus going forward to more casual formats*

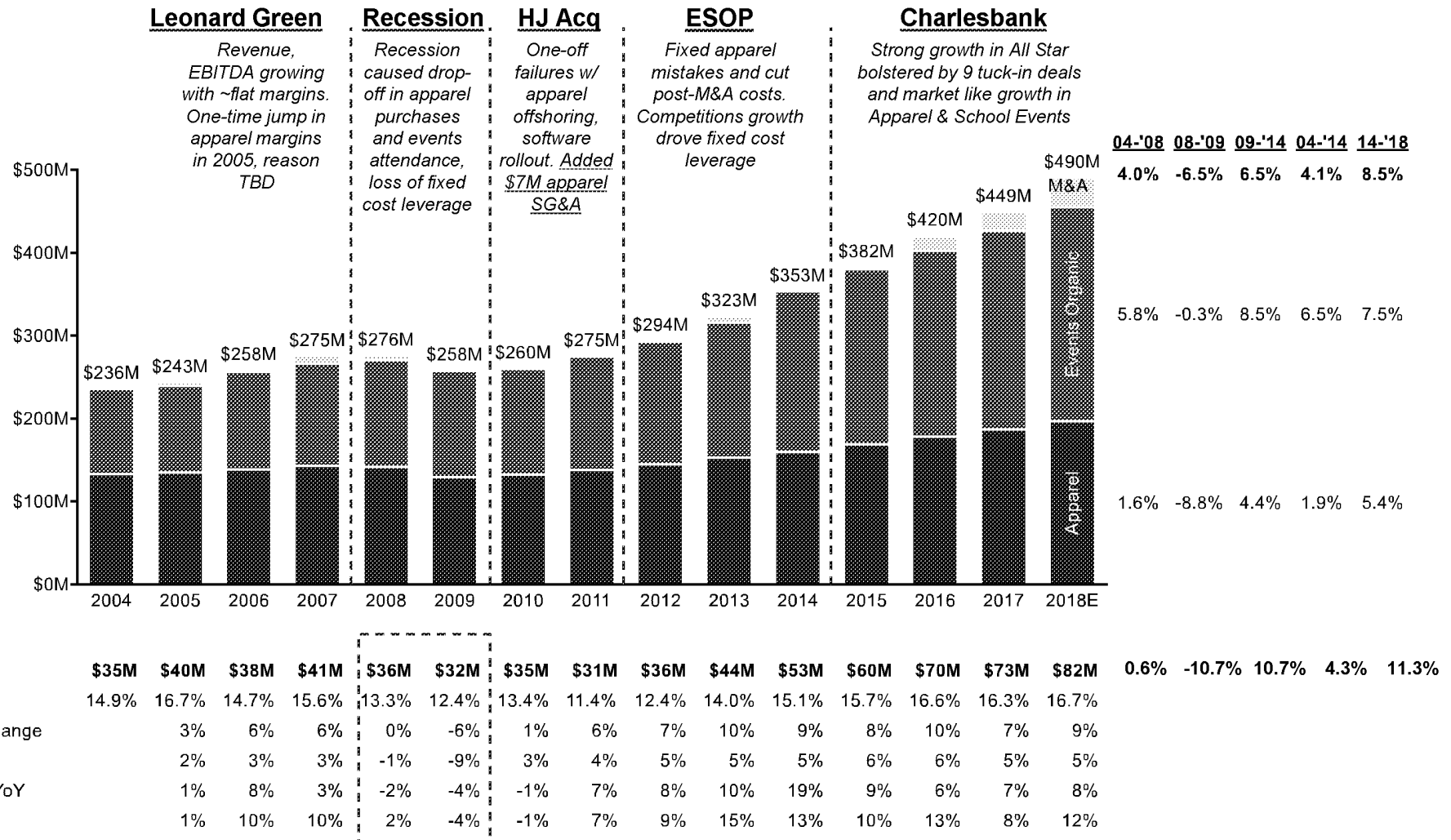


## Project Impact

## Varsity Spirit: Long Term Financials

Consistent growth every year except '09 which experienced MSD revenue hit + 300 bps margin loss

### Long Term Historical Financials

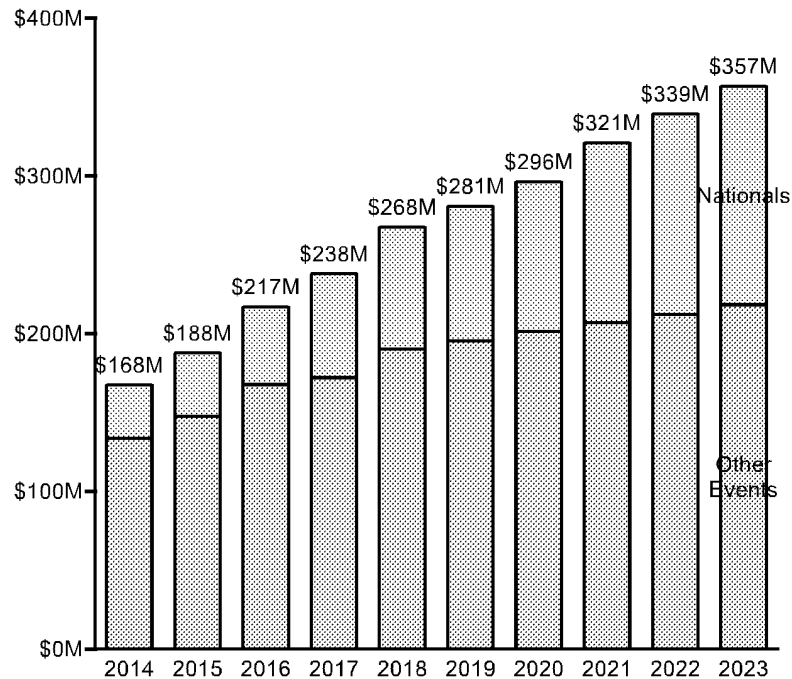


## Project Impact

## Varsity Spirit: Event Growth

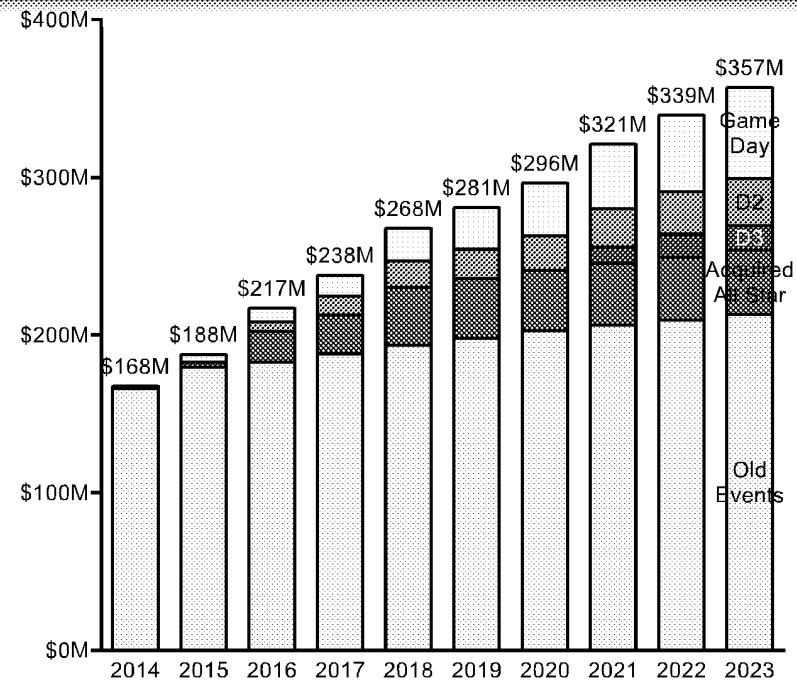
Most of event growth has been driven by organic and inorganic addition of new events; we believe that Game Day and Nationals will drive majority of event growth in the next 5 years

**Nationals as % Event Growth**



Nationals Penetration	20%	21%	23%	28%	29%	30%	32%	35%	37%	39%
Nationals % Tot Event Growth		31%	31%	79%	39%	61%	62%	77%	72%	66%

**New Event Formats as % Event Growth**



New Format Penetration	1%	4%	16%	21%	28%	30%	32%	36%	38%	40%
New Format % Tot Event Growth		1%	33%	89%	74%	82%	66%	70%	85%	82%

**Due to high \$ / part., Nationals events have been able to consistently generate 30%+ of event growth \$s**

**Event growth has been driven by new event creation and acquisition**

# Project Impact

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# Appendix

*Cycle*

*BSN*

*Spirit*

*Herff Jones*

## Project Impact

## Herff Jones | Executive Summary

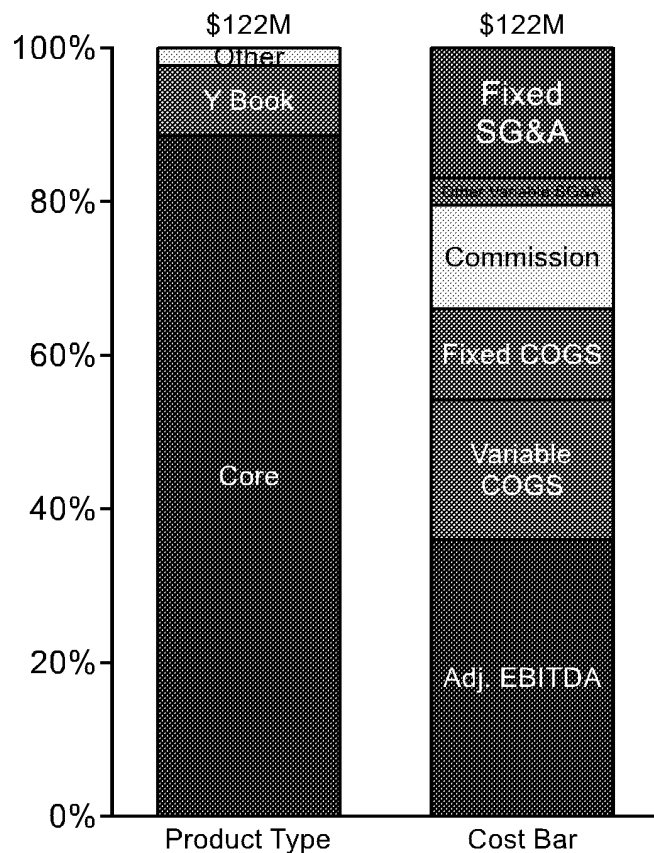
- While HJ operates in a low growth (to glacially declining) industry, much of discontinuous recent performance appears **largely self-inflicted** with an opportunity to **recover lost ground** moving forward
- Herff Jones endured period of massive disruption stemming from a mis-executed plant consolidation in Fine Paper in 2015
  - Had **ripple effect throughout** entire HJ business in terms of account churn and buy rates
  - Over time, have also **begun to fall behind peers** (e.g. Jostens) in areas like Yearbook and Rings due to older software and product portfolio
- Over the last 18 months: business has **taken steps to stabilize business performance** and sits at an inflection point
  - Several rounds of leadership changes → new, strong leadership in place
  - Strategy re-assessment, realignment of sales force, being more data-driven, and focus on right-sizing manufacturing operations
  - Professionalization of organization, investment in innovation, etc.
- Initiatives beginning to take effect on top and bottom lines of business, with **encouraging momentum**
  - Ahead of plan YTD and seeing growth in segments like Yearbook for **first time in 8 years**
  - Continuous improvement initiatives and other efforts driving margin expansion

## Project Impact

## Herff Jones: Yearbook Overview

**#2 market position in highly profitable but secularly declining yearbook segment**

### Revenue Breakdown & Cost Bar (2018)



### Business Description

- **#2 player in concentrated yearbook market**
  - ~15% share after market leader Josten's
- **Highly profitable with strong free cash flow characteristics**
  - ~40% segment level EBITDA margins
  - Declining capital intensity with plant consolidation, outsourcing
- **150 independent sales reps serve ~7,100 customers**
  - Deep relationships with yearbook advisors (key decision maker)
  - Critical in curriculum & book design
  - High customer satisfaction & retention → 5-7% revenue churn
- **Sleepy industry, but becoming more dynamic**
  - YB advisors value service & familiarity; low propensity to switch
  - Digital printing commoditization lowering entry barriers
  - New entrants willing to compete on price
  - Reps, relationships may insulate HS market, but early innings
- **Price pressure likely to continue at current levels**
  - Disruption risk feels controllable due to product differentiation and recent evidence in competitive win / loss history

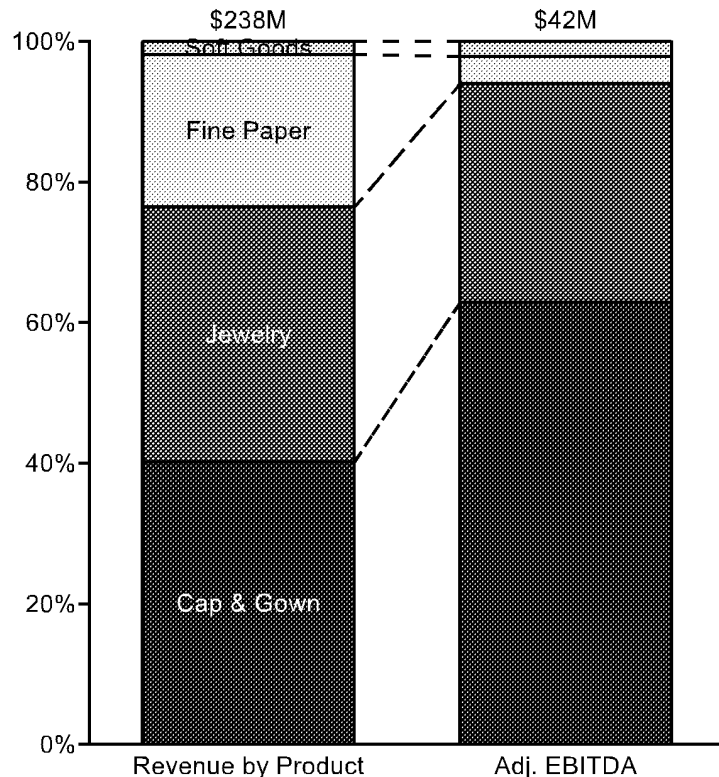
***Leadership position in highly profitable segment, with levers to pull to manage decline***

## Project Impact

## Herff Jones: Achievement Overview

**#2 market position in mix of achievement-related businesses, rings and fine paper declining but caps and gown more stable**

### Segment Breakdown (2018)



### Business Description

**Graduation products for high schools and colleges, sold through an exclusive independent rep force with ~185 sales partners**

- Except for diplomas, all products are student/parent pay
- Sold together as graduation packages, promoted through catalogs, email campaigns and student meetings

#### Caps & Gowns

- Mix of rental (30%) and disposable (70%) caps & gowns and accessories. Also includes church robes & other apparel
- The must-win product in order to cross-sell other categories

#### Jewelry (primarily class rings)

- Customizable class rings (initials, sports/activities, metal/stone)
- In slow secular decline, accelerated by spike in gold price
- Mix of other jewelry products sold by directly by HJ to fraternities / sororities (e.g. pledge pins)

#### Fine Paper

##### Diplomas & Frames

- Very stable products purchased by schools (diplomas) and students (frames); also includes commercial certificates business

##### Announcements

- Traditional high end graduation announcements and accessories. Declining due to shift to alternatives (CVS, email, Paperless Post)

##### Soft Goods

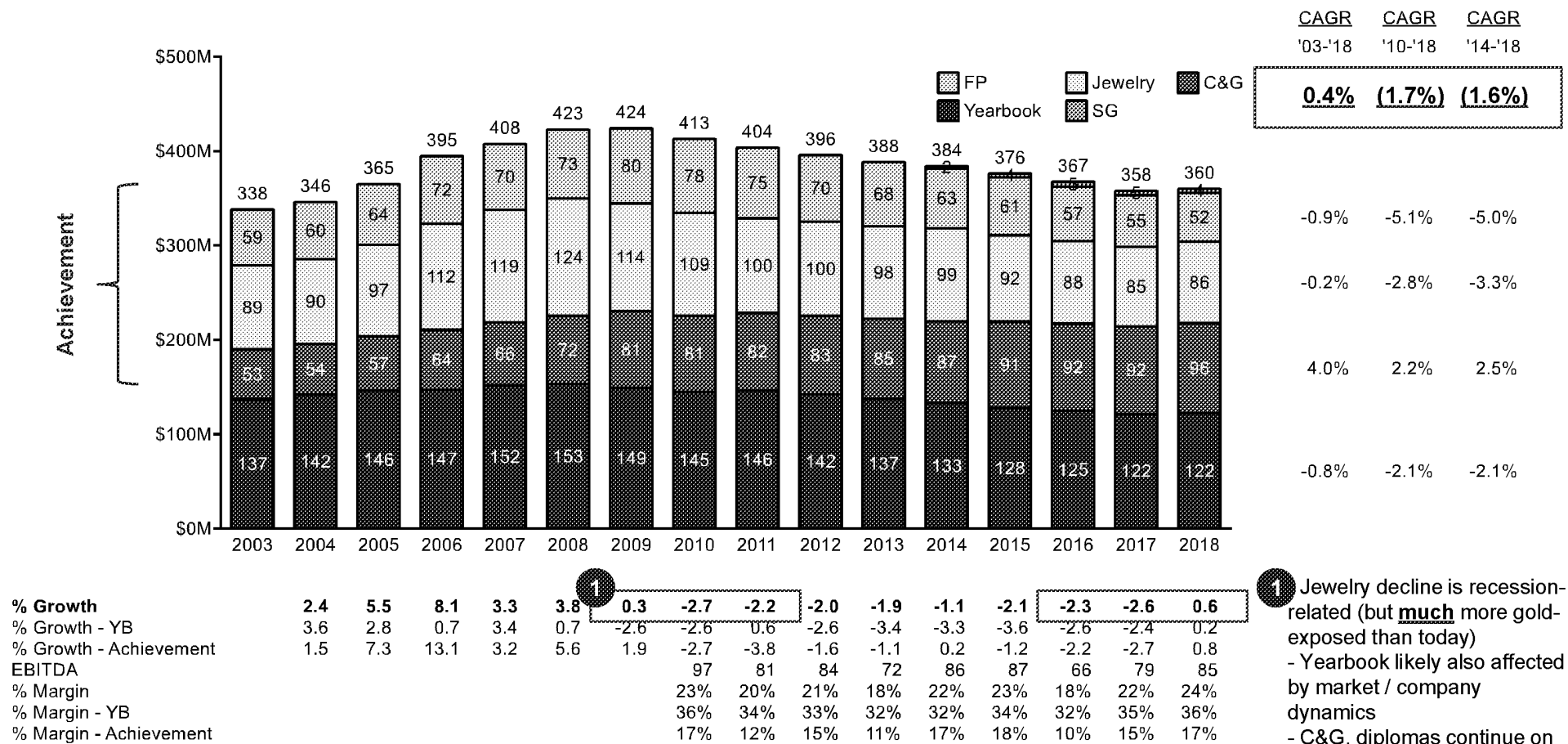
- Senior wear / graduation-related apparel

# Project Impact

# Long-Term Trajectory

## Slow stable decline, with puts and takes by sub-segment

Long-Term Performance (2003-2018)





# Project Impact

# Double Click: Fine Paper

## Business significantly pressured as team attempted to rectify botched plant consolidation plan

### What Happened

- **Massive production and customer-facing issues** while attempting to consolidate 2 fine paper plants in 2015
- Diploma misspellings b/c couldn't read carbon copies
- Major distraction for reps

### What It Meant: **Cost Overruns**

- Increased outsourcing spend
- Elevated scrap levels
- Make-whole concessions

### And In Its Wake...

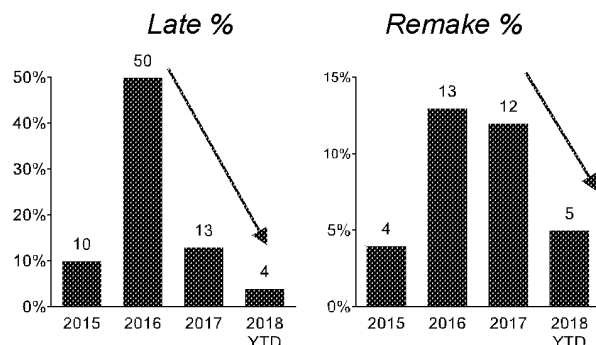
- Account churn across achievement
- Damaged customer and sales partner relationships



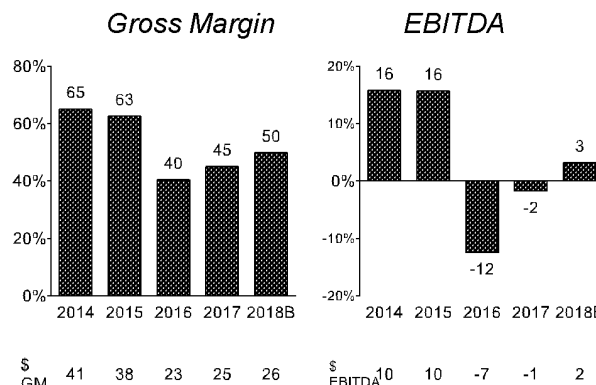
*"Nearly broke the business"; consumed massive management attention*

### Business Impact

#### Operations (Diplomas)



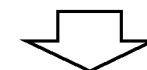
#### Fine Paper Financials



*Operational metrics have been restored; financials on road to recovery*

### How They Are Addressing

- **Embarked on Project Perfect:**
- **Fix quality**
  - QC processes, digital proofing
- **Fix on-time delivery**
  - Improved production planning
  - Order documentation
  - Standard metric and KPI tracking
- **Fix profitability**
  - Centralized decision making
  - Regain lost accounts; guarantees
- **Fix culture**
  - Customer-centric view (vs. mfg)
  - Restore relationships with reps
- Best practices from other divisions
- Many leadership changes in L18M
  - Replaced all 9 of C-suite
  - Built FP&A, sales ops, biz transf
- Highly successful SY'18 season
  - 2018: same mgmt YoY in 4 years



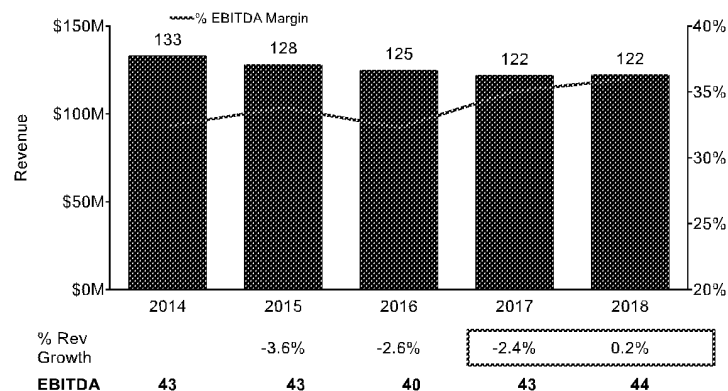
*Significant progress to date and focused on future*



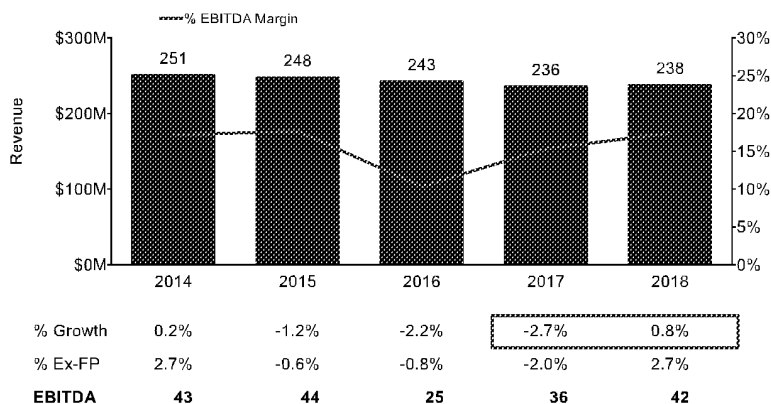
## Project Impact

After several years of pressure surrounding Fine Paper and lack of leadership, business is showing signs of stabilizing

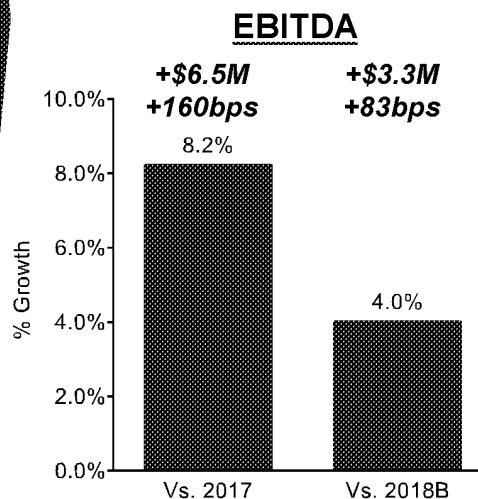
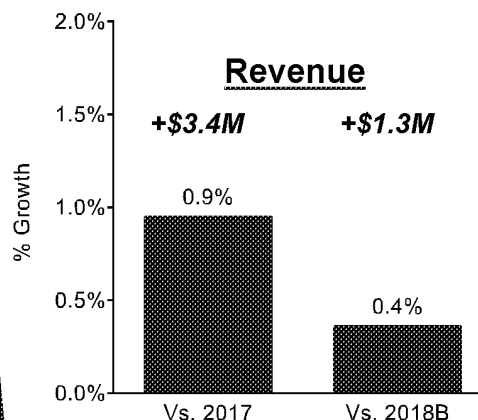
### Yearbook



### Achievement



### Updated 2018 Forecast



## Recent Trending

### MD&A

- New team installed over last 1-2y
- May YTD trending in line or above plan
- **CI projects** (outside of contemplated cost reductions) generating results
- **High visibility** into near-term performance
  - ~80%+ of 2018 results booked and >100% EBITDA by June
  - Line of sight to ~70-80% 2019 yearbook renewals
- **Budgeting track record:** mgmt case from 2014 forecasted **\$360M** in 2018 and have hit budgets every year under Charlesbank\*



*Initiatives starting to bear fruit...*